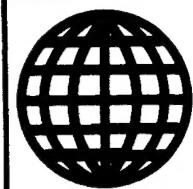


JPRS-EER-92-060  
15 MAY 1992



FOREIGN  
BROADCAST  
INFORMATION  
SERVICE

# ***JPRS Report***

## **East Europe**

DISTRIBUTION STATEMENT A  
Approved for public release  
Distribution Unlimited

19980112 010

REPRODUCED BY  
U.S. DEPARTMENT OF COMMERCE  
NATIONAL TECHNICAL INFORMATION SERVICE  
SPRINGFIELD, VA. 22161

DTIC QUALITY INSPECTED 6

# East Europe

JPRS-EER-92-060

## CONTENTS

15 May 1992

### ALBANIA

Article Views Rising Crime, Law Enforcement [ALTERNATIVA SD 3 Apr] ..... 1

### BULGARIA

Developments in Banking, Consolidation Company .....	4
Postal Bank [BULGARSKI BIZNES 2 Mar] .....	4
First Private Bank [DELOVI SVYAT 27 Mar] .....	5
Preventing Failures [DELOVI SVYAT 20 Mar] .....	6
Program Needed [DELOVI SVYAT 20 Mar] .....	7

### HUNGARY

Ministry Official Views Integration, Prospects [MAGYAR HIRLAP 9 May] .....	9
Liberal Politician Views Place of Liberalism [MAGYAR HIRLAP 11 May] .....	10
Military Intelligence Head Views Tasks [MAI NAP 9 May] .....	10
Officials View Industry, Trade Performance [MAGYAR HIRLAP 13 May] .....	12

### POLAND

Defense Expenditures, Equipment Evaluated [GAZETA WYBORCZA 9 Apr] .....	14
Paramilitary Organization Strzelec Examined [SPOTKANIA 26 Mar-1 Apr] .....	17
Trade Attaches View Polish-German Cooperation .....	18
Polish View [RYNKI ZAGRANICZNE 26 Mar] .....	18
German View [RYNKI ZAGRANICZNE 26 Mar] .....	19
Availability of Foreign Credit to Poland Noted [RZECZPOSPOLITA 25 Mar] .....	20
Monetary Policy Outlined for 1992 [RZECZPOSPOLITA 25 Mar] .....	22
Plans for Oderland Euroregion Discussed [GLOB 24, 9 Apr] .....	23
Planning Office 3-Year Projections Released [RZECZPOSPOLITA 20 Mar] .....	25
Polfa: Successful Barter Deal Gone Bad [ZYCIE GOSPODARCZE 22 Mar] .....	26
Employment, Financing in Budgetary Sectors [RZECZPOSPOLITA 20 Mar] .....	29
Western Aid to Housing Sector Described [RZECZPOSPOLITA 20 Mar] .....	29
Fertilizer Industry Status Analyzed [RYNKI ZAGRANICZNE 9 Apr] .....	30

### ROMANIA

Education Labor Contract Articles Published [ADEVARUL 4 Mar] ..... 32

### CROATIA

Serbian Church Accused of Condoning Crimes [SLOBODNA DALMACIJA 6 May] ..... 46

### YUGOSLAVIA

Hungarians Score Serbian Education Law Draft [Budapest MAGYAR HIRLAP 6 Apr] .....	47
Conflicts Among Serbian Nationalist Parties [REPUBLIKA 1-30 Apr] .....	47
King, Composition of Crown Council Scored [BALKAN EKSPRES 1 Apr] .....	48

**Article Views Rising Crime, Law Enforcement**

*AU0805120192 Tirana ALTERNATIVA SD  
in Albanian 3 Apr 92 p 3*

[Article by Dr. Apollon Bace: "Crime, the Rule of Law, the Citizen"]

[Text] The absence of public order is at present one of the most principal concerns, not to say the foremost. This absence weighs heavily not only on the policeman, whose life is simply being threatened with each passing day, but also on schoolchildren, workers, intellectuals, peasants, and, in a word, on all Albanians. Fear for one's life is the immediate pain caused by this wound, but its poisons act throughout the entire social organism by transfixing and paralyzing it. Alongside the apathy toward work, the hemorrhage caused by the exodus, and the hesitation to start firms, this absence also prevents foreign investments, which are the only possible means of saving us from an economic maelstrom. A businessman from Texas formulated his refusal to invest in Albania like this: "If you are setting fire to your schools, why should you spare my factories?" The comparison: "An investor is like a deer. Both vanish at the slightest noise," is Genscher's. We lack neither noises, nor gunshots in broad daylight and even more in the night. Asked what problem worried him most, a citizen from Ballsh answered, almost shouting: public order. Somewhere nearby, the silence of the night was broken by machine-gun fire. His reasoning was as simple as it was convincing: What use to me are low prices and a good job if they kill me? Such reasoning inspires all the inhabitants of the city and nearby villages and also three-fourths of the inhabitants of the authoritarian mountain villages who were questioned on this to list the absence of public order as the most important problem. This questionnaire thus expresses an all-Albanian anxiety, which demands a quick and fair solution.

If, until four or five years ago, Albania was the first in Europe for its very low rates of crime and violence, why have crime and violence developed so explosively? Who are the authors and organizers of the crime and violence? Is this crime crystallized and organized or is it random and spontaneous? How can we regain the lost calm without going off the rails of democracy? It is up to specialists in this field, lawyers, police experts, and sociologists to be the first to raise these questions. The importance of reestablishing public order requires someone, even with defective knowledge and nonprofessional training, to take courage and light the spark of discussion.

**Crime Rates and Characteristics**

Compared to 1985, murders have increased tenfold, almost one per week and lately nearly one per day. This gives Albania an honorable place in Europe as regards the number of crimes per capita. Our nearest rival is Italy, with one-fifth of the number, though it is helped by the Mafia and Cosa Nostra.

The crime and violence in the city differs from that in the countryside. They differ only in the sudden concentrated operations to loot the material goods that are brought by road and are stored in warehouses or schools. Typical for

our countryside are murders over field boundaries and blood revenge. Of these, the first have at least an explanation, however cruel, i.e. people's eyes mist over when faced with private property or the relevant institutions are clumsy. However, bringing back blood revenge from the ghostly darkness of medieval times surprises one. Why should anyone avenge someone murdered before he was born, when the murderer has lived alongside him all the time? One is involuntarily reminded of the naive and paradoxical idea that "Reconciling blood feuds in Kosovo is genocide against the Serbs" and of the brutal supplementary implication "because you are not killing each other, you will have us to deal with."

Such phenomena belong to the customary law, the Canon of Leke Dukagjini, which is the most classic index of the absence or nonfunctioning, or more precisely the unwillingness to have a law-governed state.

In the towns, violence and crime have become savage, presumptuous, and all-powerful. Although burglaries of apartments have abated somewhat since the "black market" reduced the value of people's salaries and second-hand electrical appliances, they still continue. However, the burglars no longer have the patience to wait until the householder leaves. They simply enter; if you are fortunate, they threaten you with weapons, and, if you are not, they kill you in cold blood, as in Berat last week. Blind crime has come to the fore: It can strike anyone, anywhere, at any time, and for any reason or for none—a school pupil in Shkoder, an electrician in Tirana, a policeman at the student campus. Alongside this, "dark forces" have in the last two years yoked political crime to plow a furrow of violence, devastation, and murder. Political criminals can camouflage themselves very easily among the many crimes without a reason, like those who dragged through the dust the bronze Moloch of Enver Hoxha. In the end, it is hard to tell the difference in the night between the blue trousers of a riot policeman (who has come to mean someone acting in self-defense and without weapons) from the blue jeans of someone else. The street terror has to a large extent come to justify the slogan, "There was plenty of peace in Enver's days." It is tolerated and manipulated people, rather than the standard slogan, "This is what democracy has brought us," that really encourage crime. The phrase, "If we had behaved like you, we would have become like you" applies to the prisoners of conscience and not to the dynasty and its rapacious suite that imprisoned them and whose speciality remains political violence.

**Criminals and Their Social Structure**

Criminals in the towns, mainly aged between 17 and 27, belong to the generation of "latchkey children," who only saw their parents at supper, when poverty forced them into close quarters with each other, or on Sundays, when the frustrations of the week were vented on their backs. They belong to the generation since 1966, when the "Asiatic reforms" destroyed the authority of schools and the Army and removed the moral restraint of religion. This was the time when there were no more jobs and the only place for entertainment or learning was the sidewalk, where a single bad apple was enough to corrupt a basket of unimmunized

young people. All these things, finding hospitable terrain, created and suppressed in the subconscious a whole gallery of monsters whose sole guardian was fear. When fear vanished, the border between consciousness and the subconscious also disappeared, and the monsters prevailed over reason. The criminality this has caused has now grown past its initial stage, and groups in large cities such as Tirana have grown from four or five people to 40 or 50. Crime now has a rudimentary hierarchy, a kind of moral code, and primitive logistics. However, it lacks strategy, is overt and recorded, and in terms of numbers involved falls short of crime of the Cosa Nostra kind. Above all, there is a lack of what Mafia bosses call "cervello" or brains. However, the main lack preventing its crystallization into a profitable industry with an unbreakable structure paradoxically is the cause that gave it birth: poverty. If this prosperity comes tomorrow before crime is first eliminated, organized crime and its inseparable associates, drugs, professional prostitution, and kidnappings, are guaranteed. This will be a wound that will be impossible to heal in the future.

#### **Shortcomings and Failures in Eliminating Crime**

If an ordinary infection deteriorates and a doctor does not cure it, nobody blames the streptococci but the doctor. The Public Order Ministry is the doctor for the elimination of the infection of violence and crime. Who is therefore at the root of this incompetence, are the causes objective or subjective, and, if they are subjective, what hides behind them?

One of the objective reasons is the release of culprits by the investigator, perhaps out of indifference or because of bribery. When a policeman is threatened the next day by a just-released criminal, this inevitably renders him impotent and turns him into a mere spectator. However, this investigator, too, has his superiors in the president and the Socialist majority in the parliament, who can at least be blamed for lack of coordination. It also hardly helps when the occasional Democratic Party deputy stands up and, without being well-informed about the incident at Kamez, turns the criminals into heroes and blames the police when they acted fairly. However, the use of this incident to justify inertia was equally damaging.

The other main reasons cited by public order officials in the parliament and in television interviews are lack of personnel and equipment and low educational and professional standards. How far do these excuses hold water?

The number of policemen and rapid deployment forces per citizen is now one to 50, which is 1.7 times higher than the highest ratio in Europe; in Italy (1 to 250) [figures as published]. If we bear in mind the density of police in the towns, the ratio for Tirana is one to 60, which is 4.2 times higher than in Italy. Nevertheless, anybody who knows Tirana knows that the police and darkness are not often seen together.

Beyond all doubt, our police lag far behind Europe in their equipment. However, it is also beyond all doubt that crime among us is much less sophisticated than in Europe. This raises the question of to what extent the police use the

resources available to them. For example, the preparations for the amazingly synchronized attacks on the storehouses in Peqin, Lushnje, and elsewhere were known three days beforehand. I do not think that you need to be a police officer to realize that an offensive by an unarmed crowd can be broken up by dogs, water cannon, and tear gas, and without firearms. Even though the border guards' dogs have vanished along with the border and the firemen are not working, there is still gas. The depots are full of gas, and a tear gas grenade costs no more than \$4 or \$5. Twenty or thirty attacks can be repulsed by 100 to 150 such grenades. This raises the question of why people's lives, first of all those of ordinary policemen and officers, should be put in danger simply because of an inability or unwillingness to find \$500 to \$600.

Although the minister said of his policemen that they are untrained peasants, Albania is the only country in the world where the most ordinary policeman is more cultured than a minister with eight grades of elementary school or S. Stefani, the welder and Politburo member. Despite the myth that European policemen are educated at college and speak three or four languages, I have so far not met a German, French, or Italian policeman who knows any language but his own. That would in Albania have been enough to become a minister like S. Stefani, but not a policeman, who requires at least a secondary education. The Albanian police are therefore among the world's more educated, and if anybody lacks the right to complain about their professional training, it would be the Public Order Ministry, which controls the police school. It is perhaps worth mentioning here that the Green Berets, the elite of the U.S. Army, receive four months of training.

A number of other questions are also hanging in the air. These include inadequate supervision, failure to rigorously enforce the law on the carrying of weapons without a license and the failure of men who are no longer active servicemen to hand over their weapons. The murder of the policeman at the student campus could have been avoided if the murderer, a former policeman, had handed in his weapon at the end of his service. The seriousness of the issue of carrying weapons without licenses has been shown by the incident in which an armed group even held up the justice minister. The release by the police of one of the delinquents who was caught gives rise to a certain suspicion. The refusal of the police to seize him again "because they did not know him" increases this suspicion, and the arrest of the entire group for eight hours turns it into a solid conviction. The police knew this group well.

Replying to a questionnaire before the elections, five out of seven policemen expressed themselves in favor of democracy, one was neutral, and one was for socialism. However, there is no lack of radical conservatives at the top, who no more than one year ago wanted to lynch the "traitors to the achievement of Comrade Enver," up to President Alia. If we embark from the principle of "nobody acts against himself," this, in this case, at the very least suggests clumsiness.

**Regaining Lost Calm**

The aforementioned description presents only an insignificant proportion of the problem in all its complexity and importance. Speedily eliminating these phenomena and their causes will require drastic pruning of the parasitic branches and those that nourish them with clumsiness, incompetence, and obscurantism, but without in any way cutting into or destroying the trunk. He who carries out this pruning and sets a faulty machine in motion, replacing moldy ideas with up-to-date thinking and solving today's problems without forgetting those of tomorrow, must be vigorous, careful, and balanced in both thought and action. The view expressed in an article in KOHA JONE, that the future minister of public order must be able to down the

occasional glass with the crime bosses in order to bring them back to the paths of righteousness, leaves you open-mouthed.

I think that this is the most delicate post today, perhaps more important even than that of the prime minister. Its holder will either rescue us from physical, psychological, and economic chaos or will plunge us irrevocably into it.

At such times, societies have found able people. As interior minister, President Cossiga smashed the Red Brigade. As CIA chief, President Bush began to bring down and destroy communism. I think that there is no lack of such people in our society.

**Developments in Banking, Consolidation Company****Postal Bank**

*92BA0762A Sofia BULGARSKI BIZNES in Bulgarian  
2 Mar 92 p 6*

[Article by Ekaterina Panayotova and Ventsislav Kirilov:  
"Bulgarian Postal Bank Develops a Strong Branch Office Network"]

[Text] The Postal Savings Bank was founded on 1 April 1896, and the Postal Check Service was created in 1926—a financial institution offering such modern services for the times as postal traveler's checks, disbursement accounts for physical persons, and so forth. In 1951, by the decision of the Council of Ministers, the Postal Savings Bank and the Postal Check Service were closed and their assets and liabilities taken over by the newly founded State Savings Bank. Forty years later, on 2 April 1991, the Bulgarian Postal Bank [BPB] was created, with a fixed capital of 60 million leva, by agreement of the Committee for Communications and Information (KSI) and the Peoples' Palace of Culture (NDK).

The Bulgarian Postal Bank is a corporation with full government participation; the shareholders are the KSI—40 percent of the fixed capital; post offices and telecommunications—40 percent; and the NDK—20 percent.

The Bulgarian Postal Bank differs from branches of the same name in Europe in that it offers a full range of bank services in leva and foreign currency—term deposits, payments in leva and hard currency in the country and abroad, buying and selling and exchanging hard currency, credits, and loans. It is one of the 14 banks in our country that have a full license for carrying out bank activity on an international level. The BPB is not yet a member of the SWIFT telecommunications system, but it has announced a desire to participate, and this will take place in the beginning of 1993. According to Mr. Momchil Andreev, an expert in the "correspondent relations with foreign countries" department, the international activity of the bank takes place in the following directions:

The BPB already has correspondent accounts in 16 banks in Europe and the United States, including:

- American Express Bank Ltd., New York, in U.S. dollars;
- American Express Bank BmbH, Frankfurt am Main, in German marks;
- American Express Bank, Ltd., Vienna, in Austrian schillings;
- Kredietbank, Brussels, in ECU's;
- Kredietbank, Brussels, in French francs;
- Kredietbank, Brussels, in Belgian francs;
- Swiss Bank Corp., Zurich, in Swiss francs;
- Swiss Bank Corp., New York, in U.S. dollars;
- Lloyd's Bank PLC, London, in British pounds;
- Den Danske Bank, Copenhagen, in Danish kroner;

- Banque Nationale de Paris, Paris, in French francs;
- Cariplo, Milan, in Italian lire;
- DG Bank, Frankfurt/Main, in German marks;
- Credit Lyonnais, Paris, in French francs;
- Nordbanken, Stockholm, in Swedish kronor;
- Banco Bilbao Vizcaya, Madrid, in Spanish pesetas.

The BPB has established contacts with the Finnish, German, Polish, Austrian, and Hungarian postal banks. Quite recently, it was visited by representatives of the Dutch Postal Bank, who shared their experience in the exceptionally effective endorsement system they use. This system makes it possible to perform an enormous number of bank services for physical and legal persons. It is attracting an enormous number of clients and, from that, comes reserves. The system also offers insurance services.

The BPB has the ambition to fill a vacant space in the bank market—namely, servicing physical persons and small and middle-sized businesses—which differs from the other commercial banks. The advantage of the BPB, as Mr. Andrey Andreev points out, is that it is closely fitted into the structures of the postal services—that is, an established fund in the country is available. Moreover, it implements its bank services by using the telecommunications connections of the KSI that have been created. A great advantage of the bank also is the presence of personnel in the post offices for whom large-scale bank operations are not a problem. All of this opens great possibilities for rapid establishment of the branch network of the BPB.

For now, the structure of the BPB is as follows:

A central administration in Sofia, which develops the strategy of the bank and administers the remaining levels. It summarizes and analyzes the information coming from the lower levels. The central administration also carries out the relations of the bank with foreign financial institutions and controls the monetary activity.

Regional branches in the administrative centers of the country (approximately 30 are envisioned), which present a full range of bank services. They work under the conditions of limited financial autonomy. The regional branches organize and control the activity of the subsidiaries and the agencies in the region.

Subsidiaries (intermediate links between the regional branch and the agency of the bank in the post office). There will be approximately 130 of them, and they will have a limited range of activity: receiving deposits, opening accounts of physical and legal persons, payments in leva, granting credit, and so forth.

Agencies of the bank in the post offices, which are to be about 3,000. The following services are performed in them: deposits of physical and legal persons and cash payments.

According to Mr. Andrey Andreev, the creation of a branch network covering the territory of the whole country

will take up to two years. To convert the ambitions of the bank into reality, it is necessary to become fully computerized.

The Bulgarian Postal Bank reports good results for the past fiscal year 1991. For the six months of its existence: —The capital introduced into the bank has doubled and has reached 53 million leva; —The funds attracted have reached 456 million leva; —The fixed capital at the end of 1991 represents 11 percent of the funds attracted to the bank; —The balance profit realized is 25 million leva; —The credits granted represent 72 percent of the capital and the attracted funds. The interest on the credits is between 60 percent and 62 percent, some of the highest in the country, because the BPB receives its credit reserve by attracting funds from companies and citizens; —Five branches—in Sofia, Blagoevgrad, Ruse, Pleven, and Plovdiv—17 subsidiaries, and 239 agencies have been established in the country; —The total number of bank accounts that have been opened is over 50,000.

The increased tax on the profit of the banks will not deter the development and strengthening of the BPB, Mr. Andrey Andreev emphasizes. "In normal countries, don't the banks always stand behind the government, also protecting the interests of their clients?" he asks.

**First Private Bank**

92BA0762B Sofia DELOVI SVYAT in Bulgarian  
27 Mar 92 p 3

[Interview with Ventsislav Yosifov, president of the Governing Board of the First Private Bank, by Boyka Mitseva; place and date not given: "The Vote of Confidence Is a Right of the Shareholders"]

[Text] [Mitseva] Mr. Yosifov, recently the free Bulgarian press has not been favorably inclined toward the First Private Bank. Certain activities and contacts of its leadership are being called into question. What is your position?

[Yosifov] Apropos of this, the following anecdote is going around in banking circles. Some colleagues began to be upset by the fact that the First Private Bank is always referred to on the first pages of all the newspapers. They met to consider how to act so that something also was published for them. What they thought up I do not know, but...it is obvious. I think the journalists have a right to present what they deem to be information. In this case, a good free advertisement of the bank connected with the name of a strong trade union was made. Our opinion is that the Podkrepa labor confederation is one of the guarantees for the rapid development of our country to a free market economy, but the supervisory council of the bank still has not declared itself for the collaboration between us and the main office.

If the First Private Bank or the People's Bank are on the front pages, it does not matter because, in the next 10 years, we intend to become the First Private National Bank. I have before me only the problem of starting real

changes that will provide a possibility for private businessmen to be gainfully employed in market conditions. Being employed for themselves, they will also be employed for the state.

[Mitseva] Don't you still think that the situation will be reflected on the shareholders of the bank?

[Yonchev] I do not think so because people are showing more and more interest in share participation in our bank. Many private companies want to buy a larger share than the preliminary package of shares. This confirms the good name of the First Private Bank in the country. But, at the time we established it, we decided that the bank was to have a popular nature, that many people would participate in it. We count on our shareholders to understand and to take our position.

[Mitseva] Do you consider that the legitimate organizations of private businessmen are collaborating sufficiently actively with the government and the commissions of the National Assembly in the preparation of laws important for the economic reform in our country?

[Yonchev] I cannot determine precisely how much our voice is heard, but, in practice, we are invited to all commissions discussing individual laws and texts of them. I can definitely say that in private business they pay attention to words, but, in practice, up to now there have been no real results.

[Mitseva] Then what is your position on the already passed Banking Law?

[Yonchev] For the time being, I will refrain from a detailed discussion because the law still has not been published in DURZHAVEN VESTNIK—that is, it has not gone into effect. Our position with respect to it was expressed repeatedly in the press and in official letters to the National Assembly and to the depositor BNB [Bulgarian National Bank]. First, there is a very great range of activities for which it will be necessary to seek permission from the National Bank. Second, the law does not specify the qualification requirements, the work dates in the banking system, and other criteria for the activity of the banks. We have turned attention to these things, which should be settled with individual legislation. If this is not done, the Governing Board of the BNB opens a door for different interpretations.

[Mitseva] Will the First Private Bank be sufficiently competitive, given the prospect of invasion of capital of strong foreign banks?

[Yonchev] We even await them eagerly. For two years already, we have been working in conditions of real competition. We think we are ready to try our strength even against external competition. Our bank has been operating for a year and 10 months, but we have accumulated a fair amount of capital. It will allow us a stable position in our market and a working partnership with even the largest banks.

[Mitseva] What aspects of your activity will you report to the shareholders at the second annual meeting on 28 March?

[Yosifov] The distribution of the funds and the profit is the exclusive right of the shareholders meeting, and I would not want to take it away from them. We will propose for discussion 42-percent dividends, which is a little above the average interest percent for the past year for citizens' deposits in all banks. It is known that the fixed capital of the bank will increase to 500 million leva in the coming years, which was voted at the previous general meeting. At the moment, 52 branches of the First Private Bank are operating or are in the process of being built throughout the country. In the supervisory council, which will be elected, a program for opening 60 more branches and agencies will be proposed. The number of the physical and legal persons, shareholders of the bank, is already more than 4,000. At the meeting, they will be able to see an advertising film, made at our direction, which shows part of the multifaceted activity of the First Private Bank. I do not want it to seem like boasting, but the representative of our supervisory council, Mr. Khristo Marinov, expressed the opinion that many of our branches—with respect to both the decor and the level of services—are worthy of the center of the city of London. Already more than 40 of our specialists have studied abroad with stipends from German, British, U.S., and Italian foundations. By 1 May, the Sofia branch will be equipped with original IBM equipment, and later the remaining branches in the country will be.

[Mitseva] Do you expect uncomfortable questions at the general meeting about the retirement of members of the supervisory council?

[Yonchev] Every member of the leadership has a right to apply for retirement when he wishes. I am ready to answer all questions; this is part of the rights of our shareholders. I cannot say that I personally have worked badly under the leadership of the supervisory council. On the contrary, we worked in collaboration and understanding. I assume that some of our problems arose as a result of political disagreements and that this is characteristic of our whole social and economic activity and the transitional period toward a market economy.

### **Preventing Failures**

92BA0762C Sofia DELOVI SVYAT in Bulgarian  
20 Mar 92 p 2

[Article by Mara Georgieva: "The Bank Consolidation Company Was Created To Prevent Bank Failures From Being Connected"]

[Text]

### **This Is Not a Requirement of the World Bank, but Our Own Idea**

The leadership of the newly created Bank Consolidation Company reports that there are 79 commercial banks in the country with a fixed capital of 5.5 billion leva. The

corporation capital of the banks registered in our country is 2.5 billion leva and the credit deposits approximately 92 billion leva.

Seventy-three percent of the credit needs of the businesses were formerly met by means of state planning. Who will fill this vacuum today? "The banks continue to serve these credits, but, at the same time, there is no fund for replenishing their reserves. The pockets of the banks are empty", stated Mr. Penyo Khadzhiev, one of the three members of the Governing Board of the Bank Consolidation Company.

On the agenda after the failure of the Yambolska Bank is the fiasco of the bank in Bobovdol. "The bank in Bobovdol is the most striking example of the condition of the Bulgarian commercial banks, declares Mr. Elen Georgiev, a member of the Governing Board. Bad management, bad assessment of the situation. The interconnection of the banks in the county is particularly dangerous. One bank can drag down all the rest after it."

These numbers and examples were cited as some of the arguments for the need for the creation of the Bank Consolidation Company. It is a holding company, and its chief founding members are the Bulgarian National Bank [BNB] and the Bulgarian Foreign Trade Bank [BVTB]. The basic task of the holding company is to act to create an effective bank system and to enlarge the commercial banks, as provided in the charter of the company.

For the time being, the founding members, the BNB and the BVTB, have exchanged their shares in the commercial banks for shares in the Bank Consolidation Company. In this way, the company becomes a shareholder in the commercial banks and will be able to influence them through its voting right. This right will be increased after the state enterprises and other legal persons with state participation by the force of government regulation transfer their shares to the Bank Consolidation Company. According to the quotations taken from the shareholders record in 74 commercial banks, this is a matter of some 1.8 billion leva of state capital. However, this number is approximate. Thus, the holding company will have the last word and will begin restructuring the banking system.

According to Mr. Mikhail Yanakiev, a member of the governing board, this approach brings several advantages: "Clearly defined responsibility. Possibility of profit from the growth of capital. Breaking up the tangled relations between the banks, the shareholders, and the clients."

It is envisioned that the restructuring will begin with the group of banks that suffer the most from credits that are hard to collect and unaccountable. This will take place after an examination of the credit portfolios of the banking institutions.

After their merger, there will be eight, 10, or 12 banks, more or less—I do not know. The members of the governing board did not commit themselves to specific numbers. "The goal is to make the banks healthy and stable. It will be mandatory to have branches of two banks in a city,

which will compete with each other. There will not be a central administration," Mr. Elen Georgiev declares.

The creation of the Bank Consolidation Company is not at the request of the World Bank. It is an idea of the leadership of the BNB. According to the experts, the bank holding company often is used in world practice if it is necessary to reorganize the bank system.

The privatization of the banks is among the goals of the holding company. There are still no legal basis or financial tools for this. For the time being, the Bank Consolidation Company will strive to consolidate the banks in our country so that they will become more tempting for privatization, the leadership of the holding company reports. Let us hope that this will not turn out to be too late.

### Program Needed

92BA0762D Sofia DELOVI SVYAT in Bulgarian  
20 Mar 92 p 2

[Article by Mariana Khrstova: "Bank Consolidation Without a Preliminary Program"]

[Text] For more than a month, we have enjoyed the presence of the corporation of the Bank Consolidation Company in our financial life. It is sufficient time for the BCC (it is not known why all the "governors" of the company have taken this abbreviation for the corporation) to begin to act. The cofounders, the BNB [Bulgarian National Bank] and the BVTB [Bulgarian Foreign Trade Bank], already have transferred their shares from the local commercial banks to the new company. These amount to respectively 748,936,000 leva of the BNB and 181,270,000 leva of the BVTB. Added to these is the 3-million-lev monetary contribution of the BNB, in order to form the fixed capital of 933,206,000 leva.

Meanwhile, the Council of Ministers has ordered the state companies to transfer their shares from the commercial banks in the country to the VSS by the middle of the year. Their value is approximately 700,000,000 leva. The decisions at the general shareholders meetings are taken with an ordinary majority—that is, here the votes of the state companies and those with predominant state participation do not carry extra weight. Only when it is a matter of changing and amending the charter of the company, increasing or decreasing the capital, reforming and discontinuing the company are two-thirds of the votes—that is, from the owners—needed. Otherwise, the activity of the company comes down to:

- "1. Acquiring, controlling, evaluating, and selling shares in local commercial banks;
- "2. Organizing and exercising oversight in the reorganization of banks in which it has acquired controlling shares.
- "3. Organizing and/or participating in financial restructuring of individual banks;
- "4. Privatizing the banks in accordance with the legislation in effect."

That is, these problems will be solved by the state and, more precisely, by the representatives of the government. The fears that the BCC will interfere in the work of the banks and will dictate mergers and privatization to them in accordance with its views are based, at least at this time, on this voting mechanism. The actions the company may not take are spelled out in Article 4 of the charter of the BCC. These exclude actions that lead to limitation of free bank competition, independence of the banks in their operative activity, not to divulge bank information...but, behind every text, stands the specification: "except if this is not connected with carrying out their goals." However, if a given action does not answer the goals, the majority in the general meeting will decide....

Up to this moment, no one from the leadership of the BCC promises any more specific enumeration of the steps the company will take. It is not clear on what principles the enlargement, "merging," and so forth of the banks will be carried out. Even less is it clear how they will be privatized. Will we have state banks or at least banks with predominant state participation? What will become of the shares of the government companies, which will be privatized during the period of existence of the BCC? Whose property will they be? And, if the shares are included in the "assets" chart of the companies, what rights will their new owners have in the case of the privatization of the enlarged banks? What will the interrelations of the BCC be with the private shareholders at the stage of the privatization of the banks if share participation in the enlarged banks is acknowledged? Because an answer to these questions will not be obtained from anyone at the moment, we decided to place our trust in the "memorandum" of the mission of the World Bank of the end of February of this year. Still, all justify themselves that the World Bank has imposed the operation of the BCC upon us almost forcibly.

This is what the experts of the World Bank say in the section "Reform and Development of the Financial System":

"A number of agreements, the implementation of which is taking more than the time envisioned, were achieved in the first installment of the SAL [expansion unknown]. Thus, the investigation of the basic problems of the bank system has not yet begun. In spite of this, the BNB has finished the evaluation of the proposals and is in the last phase of selection and signing a contract (editor's note—that is, whoever receives the contract will also determine how our BCC will act to implement the goals already cited). We direct the attention of the BNB to conclude this process more rapidly. The important thing is to complete the study in order to create a basis for the operation of the Committee for Bank Consolidation." Moreover, the BCC is encouraged to insist on a more rapid arrival of its administrative adviser—a foreign expert. Still, it is necessary to solve the problems with the chancery, personnel, a policy for action...."

But the memorandum also says: "The mission met with representatives of the banks that intend to merge under the supervision of the BCC. The BCC, strengthened with the

expected foreign expert, could play an important role in assisting and facilitating this important initiative."

But the nine banks in question from October of last year have lodged with the Governing Board of the BNB (we did not yet have the BCC, although everyone spoke about it) a "Proposal for Consolidation of Bank Capital." It ends as follows:

"Without pretending to have made an exhaustive analysis, we consider that it may be a point of departure for reflection with respect to the general strategy of the bank and its liquidity: —Reducing the risks of the active operations of the monetary and open market; —The marketing studies; —The reasons for organizing and administrating the information flows between the banks; —The systems for payments in leva and hard currency, bookkeeping, and cash operations."

The Iskur, Sliven, Pazardzhik, Pernik, Ruse, Gorna Oryakhovitsa, Bobobdol, Kurdzhali, and Doverie commercial

banks want to combine, but not anyone wants to swallow the rest, in order to unite their positions in the corresponding regions, the possibilities for influencing the regional markets, and for a more stable presence of the bank in the processes of privatization.

And, because none of the nine has a license for "external operations" and, without it, any bank is "half a bank," they welcome with understanding the interest of the Construction Bank—Sofia, in their initiative. However, this interest probably has weakened with time, but, again, at the moment there are others who want to be included in the proposal. If it will succeed, if it will be accepted by the BCC, if it will be registered with the instructions the foreign consultants are preparing, we have yet to see. However, this means knowing the principles on which "the enlargement of the banks" will be based in our country. Otherwise, only the allusion the name BCC makes in our consciousness may be strengthened. It remains only to add to the English abbreviation "I."

**Ministry Official Views Integration, Prospects**

AU1305125692 Budapest MAGYAR HIRLAP  
in Hungarian 9 May 92 p 9

[Interview with Foreign Ministry State Secretary Janos Martonyi by Dezso Pinter; place and date not given: "To Remain on Course Until the Big Leap"]

[Excerpts] The summit meeting of the Visegrad three [Poland, the CSFR, and Hungary] concluded in Prague on 6 May with a joint political statement, in which the three members confirmed their desire to join the European Community. In connection with the preparations for full membership, Janos Martonyi said that "the height of the bar we must jump is constantly changing, but the EC should help us to stay within range." [passage omitted]

[Pinter] In your view, privatization with a defined foreign participation is synonymous with economic modernization. However, not every political force in the government coalition thinks the same. What is your opinion about the internal debates?

[Martonyi] Although politically-motivated debates do emerge occasionally, there has been a steady consensus on the basic issues of privatization for two or two and a half years. Questions or pseudo questions might be asked about the pace of privatization, about whether our privatization is too centralized or too decentralized, but no one questions the essence of our privatization model, namely that Hungarian privatization is basically founded on selling. In other words, we sell our state enterprises, rather than returning or scattering them, in the form of competition between interested parties. For about half a year, the entire West has been saying that despite its obvious mistakes, the Hungarian model is the one that is functioning. One of the problems is the obviously too high percentage of foreign participation in our ventures: 80-85 percent. This is also true if we consider the fact that there is also a broader privatization under way: A lot of new Hungarian ventures are emerging, and there are a few Hungarian private firms working with a capital that amounts to billions [currency not specified]. Obviously, we must encourage and strengthen the Hungarian presence. [passage omitted]

[Pinter] You said that the West has regarded the Hungarian privatization model as viable for the last six months. For approximately the same amount of time, a surprising number of Western press organs have regarded the CSFR, including the Czech Lands, as more favorable than Hungary from the viewpoint of privatization. What is your opinion about this comparison?

[Martonyi] We must not participate in a beauty contest held in front of a Western jury. The cooperation among the Visegrad three is more important than the need to note who got higher points at a competition. Of course, this does not mean that there is no competition. Such competition also exists among the EC member states, and quite a considerable one at that. However, I would very much like to see the moment when the Visegrad three reach a development level in which they can compete with the EC, rather than among themselves. I welcome every CSFR and

Polish achievement. I will be glad to see the implementation of the forecast according to which the CSFR would soon catch up with Hungary in the amount of foreign investments, because both countries will then develop with an adequate dynamism. If, however, we take a look at the facts, we must conclude that until 1991, Hungary received 50 percent of the investments carried out in this region. This process continues to be valid, and we are far ahead of our competitors. [passage omitted]

[Pinter] Do you see the emergence of any process in the CSFR or Poland that could threaten the honest cooperation of the Visegrad three?

[Martonyi] Poland clearly wants to strengthen the Visegrad cooperation, and the risks lie primarily in the economic problems and the political instability that emerged after the latest elections. Everyone hopes that the Poles will overcome their economic problems, because this is an essential condition for a greater pace of integration among the aforementioned three countries. In the CSFR, it is still an open question what form of cooperation the Czech Lands and Slovakia will choose. This is a strictly internal affair, and the electorate will decide on this. In my opinion, a total separation will not change anything among the Visegrad three. At most, we will no longer call this cooperation a trio. [passage omitted]

[Pinter] To what extent could the fate of the Hungarians living in Slovakia affect this Visegrad integration?

[Martonyi] The extent to which its partner respects human rights, including the rights of national minorities, plays an outstanding role in Hungarian foreign policy. I do not think that there are serious problems with the CSFR in this respect. The presence of Hungarian national minorities in Slovakia can definitely play a positive role in our bilateral economic relations. We could mutually open up ventures in each other's country and we could bring the micro-spheres of entrepreneurs and enterprises closer to each other. If anti-Hungarian nationalism does not gain ground, the presence and development of the Hungarian national minority in Slovakia could become the driving force behind this Visegrad cooperation, which is also very important for Slovakia. [passage omitted]

[Pinter] Could the Visegrad cooperation be expanded?

[Martonyi] Regarding the results achieved in political and economic restructuring, the three countries that currently make up this cooperation are at a homogeneous level that makes such cooperation possible. We are convinced that at present, only Hungary, the CSFR, and Poland can cooperate successfully.

[Pinter] In other words, the future for other states lies in strengthening bilateral relations.

[Martonyi] Definitely. Hungarian diplomacy has been trying to strengthen its relations with the other states in the region at an accelerated pace, and quite successfully. I mean here Ukraine, Russia, Croatia, and Slovenia. International Economic Relations Minister Bela Kadar's recent talks in Bucharest have slightly increased our hope that Hungarian-Romanian economic cooperation has moved

in the right direction. I cannot say anything concrete about Serbia for the time being. [passage omitted]

### **Liberal Politician Views Place of Liberalism**

*AU1305121692 Budapest MAGYAR HIRLAP  
in Hungarian 11 May 92 p 5*

[Interview with Miklos Gaspar Tamas, deputy of the Alliance of Free Democrats and philosopher, by Gabor Rejto in Nyiregyhaza; date not given: "The Essence of the Matter Is Freedom"]

[Text] The first national meeting of the liberal groups held in the provinces took place in Nyiregyhaza over the weekend [9-10 May]. Well-known politicians and social scientists talked about the notion of liberalism, the period since the elections, and about bourgeois transformation. During the break in the discussion, we interviewed Miklos Gaspar Tamas on the meaning of liberalism today.

[Rejto] To be a democrat means not to be afraid. What does it mean to be a liberal?

[Tamas] I would like to mention two important understandings. One is an attitude and an emotional disposition—the one that makes us respect the other person, even someone we do not like. Liberalism is an ability to accept people who remain outside, who rebel, or are strange, in addition to accepting the strategies of uniformity, conformity, and of wanting to fit in by all means. It is an ability to accept human diversity. This is a great thing today because the state wants to make people uniform in the interest of social stability. The liberal value system sees the necessary level of regulation differently from other political trends. It narrows down the range of things to be regulated and broadens the range of spontaneity.

[Rejto] In your lecture, you defined liberalism as a gesture, style, and attitude. Some of these cannot be learned. Does this mean that one has to be born liberal?

[Tamas] No. The tolerant and skeptical behavior that respects human diversity and that already existed before the modern political liberalism, is only a broader framework that is necessary for this to exist. However, this in itself is not a political doctrine. Some people stand for economic liberalism because they find it to be a successful technique, but otherwise they are authoritarian and intolerant. These people cannot establish a liberal society even if they would like to. Therefore, the other important element of liberalism is a group of principles. For example, one is that the law is above the state and the law and the Constitution are not created merely by the prevailing majority of the legislative power. Respect for private property, private life, and the political strategy linked to this are so important that the influence of private matters and public matters are balanced in favor of private matters. Private matters, for example, are conscience, personal lifestyle, or cultural priorities.

[Rejto] How can you assess the essence of liberalism for an ordinary person?

[Tamas] The essence of liberal politics is that it leaves the citizen in peace. The liberal state will have to try to protect

its citizens from itself and from the constraints set up by other people. The essence of the matter is freedom and the method is the orderly withdrawal of the state. This does not mean that the liberal state is weak. Where it does exist, it has to be strong and determined. However, this has to be done under the control of laws and in a smaller area than people have grown accustomed to here over the centuries.

[Rejto] Are the 1990 election results in accordance with the spread of liberalism in Hungary and its acceptance by society?

[Tamas] There are some antiliberal tendencies in Hungary and we lose as well as win people. This is the deeper root of the problems of the Alliance of Free Democrats. Some of the people who support liberal principles keep being replaced. However, liberal methods for living and attitudes are spreading in Hungary. This is relatively independent of our success or lack of success. The fact that, instead of submitting to, making a compromise with, or bribing the state, many people take action against the state proves that the world has changed. The question remains, though, whether people who think and behave this way recognize the liberal parties as their representatives. To achieve this, it is necessary for the liberal parties to be liberal indeed and to fulfill this very real need. Antiauthoritarian, disrespectful, and practical behavior is very much characteristic in Hungary today. We must find each other officially—since we have already found each other informally.

### **Military Intelligence Head Views Tasks**

*AU1305164692 Budapest MAI NAP in Hungarian  
9 May 92 p 5*

[Unattributed interview with unnamed head of the Military Security Office at the headquarters of the Military Security Office in Budapest; date not given: "Removed Counterintelligence Agents"]

[Text] It is not easy to enter the building of the Military Security Office (KBH), and it is impossible to lose one's way inside. It is true that there are few visitors, and there is no name-board at the entrance of this building. An escort takes care of civilians coming to and leaving the building.

[MAI NAP] You came to this position from your previous position as head of air defense of one of the Army regiments at the end of September 1990. Did you receive any extra training?

[Interviewee] No. I already had some idea of military security in my previous position. Four new types of intelligence services were created when the old forms of Interior Ministry-controlled intelligence services were discontinued: Two civilian and two military units. My superiors thought that a soldier should be appointed as head of a military intelligence unit. When I took over the position, I started to study the operational conditions. I kept everything that I regarded as logical, and I discarded things that I regarded as illogical.

[MAI NAP] The various intelligence units could work together in the former Interior Ministry. What about today?

[Interviewee] The same happens today but, while we had a joint commander in the Interior Ministry, every unit is now working independently. On the government level, the KBH is supervised by the defense minister, and on a professional level it is supervised by me; we cooperate with the other services in carrying out common tasks.

[MAI NAP] There are frequent struggles of prestige among separate intelligence units, because each of them wants to excel.

[Interviewee] I have not experienced such a struggle here; nor is there any reason for this because the tasks, authority, and competence are clearly stipulated by regulations.

[MAI NAP] What is the task of the KBH after the separation?

[Interviewee] To guard the safety of the Defense Ministry and the Hungarian Army. Our activity against foreign intelligence, or counterintelligence, is our major task. In addition, we are also in charge of preserving our constitutional order, avoiding terrorist attacks, and preventing military crimes, like escapes abroad and mutiny, as well as preventing the deterioration of combat preparedness. We pay particular attention to persons in particularly important and secret positions.

[MAI NAP] Why were the people of the former military intelligence not dismissed together with the personnel of the III/III department in the wake of the Danube-gate affair?

[Interviewee] Military intelligence worked in a relatively well-determined area in the old system, too. The Army did not change essentially. An organizationally and operationally modified KBH replaced the former III/IV department that used to be treated as a foreign body, and the KBH has become a natural part of the Army.

[MAI NAP] Are your officers undercover agents?

[Interviewee] No, everyone within the Army knows who they are. It is another matter that they can get information from any source. In concrete cases, they can even use secret methods if they get permission from the Justice Minister; they can also get information from citizens who want to help.

[MAI NAP] Citizens who want to help? Are they not "persuaded" to do so?

[Interviewee] It would be difficult to persuade someone to voluntarily help our activity against his will.

[MAI NAP] Are there such helpers among the conscripts, too?

[Interviewee] We welcome the reports of every decent citizen.

[MAI NAP] One can rarely hear about such things. However, one can definitely hear about denouncers.

[Interviewee] It is wrong to call citizens ready to help in preventing crimes denouncers and other such names. A person who discovers a criminal intention is regarded as an honest person. Right? The intelligence agencies are guarding the security of an entire country. Think about the number of people who would be endangered in an aggression or conflict, if an aggressor gains advantage by learning our military secrets!

[MAI NAP] Are there still military secrets in the time of satellites?

[Interviewee] Of course. The amount and type of various equipment are no longer a secret. However, one does not know whether any improvements have been carried out in that equipment. Satellites do not see the moral and disciplinary situation and training level of a given army unit. Nor can a satellite learn about our tactical and strategic principles. And there are many more such things. We have enough things to defend.

[MAI NAP] The Hungarian Army is currently being reorganized, and there is a considerable security risk involved here. Are you concerned about this?

[Interviewee] In every case, we start from the principle of confidence. The former type of total intelligence in which every piece of information on everyone was stored for possible use later is no longer valid. We only carry out surveillance on people whom we suspect of a crime within our jurisdiction. Those who left the Army and got into the civilian sphere are in the jurisdiction of the National Security Office.

[MAI NAP] How does prevention work? It seems that you missed the mutiny in Torokbalint....

[Interviewee] We learned about the difficult conditions there and we conveyed this information to the relevant commanders but, probably for objective reasons, an efficient prevention did not take place. Perhaps we should have been a little more sensitive to problems.... However, is it possible to measure the efficiency of prevention? For example, there are a lot of places without any mutiny or military crimes.

[MAI NAP] How do you regard the issue of alcoholism in the Army?

[Interviewee] We regard regular and exaggerated alcohol consumption as a security risk.

[MAI NAP] When did you last catch a spy?

[Interviewee] That is known: Rudolf Szanto was arrested in January 1991 on the basis of our report.

[MAI NAP] Do you have similar cases?

[Interviewee] Yes, there are people whose spy-like behavior have drawn the attention of the KBH.

**Officials View Industry, Trade Performance**

AU1405155392 Budapest MAGYAR HIRLAP  
in Hungarian 13 May 92 p 9

[Interview with Balazs Botos and Tamas Schagrin, deputy state secretaries at the Ministry for Industry and Trade, by Andras Kovacs; place and date not given: "Crisis Management in Industry—Successes in Trade"]

[Text] There has been a lot of movement in the higher leadership of the Ministry of Industry and Trade [IKM]. Out of Minister Akos Peter Bod and two state secretaries—Istvan Pohankovics and Henrik Auth—who were in the starting team, only Pohankovics is still working at the headquarters in Martirok Street. In the meantime, Auth's successor, Jeno Laszlo, the second administrative state secretary, has also left and the post has not been filled since December 1991. The present minister, Ivan Szabo, took office at the beginning of this year. The two deputy state secretaries assess the work done in the areas of industry and trade and the position of the two departments.

**Botos: We Have Prepared the Crisis Management Program**

[Kovacs] A "real" industry policy concept has been expected from the IKM for some time but it has not been completed yet. When will it be ready?

[Botos] If someone reads through our material prepared in the past two years, he will have to admit that our concepts have not been fundamentally wrong. However, it is certainly true that we have not always been able to implement these. As a matter of fact, based on the ideas of Minister Szabo, we started to draw up a long-term strategy in February 1992 with a deadline of September.

[Kovacs] Being aware of the extent of the crisis in industry, this may seem a little slow....

[Botos] We have already completed our crisis management program but, in the interest of a more solid strategy, we also asked a number of research institutes to participate in this. The situation is made more complicated by the fact that we need a short-term crisis management program and a long-term strategy at the same time. In addition, the interests related to these do not always coincide.

[Kovacs] How do you assess the past period?

[Botos] The fact that restructuring has begun and a new and modern branch of industry, namely car manufacturing, has become established here, are positive signs. The associate membership agreement made with the EC was also an important step from the industry's point of view. Naturally, the ensuing competition can also present a great danger for various industries. I also have to mention the fall in industrial output, which has considerably accelerated; the decrease was over 19 percent in 1991. Engineering output decreased the most. In my view, the fact that investments have also considerably decreased is rather dangerous because it could cause serious problems in the future.

[Kovacs] The lack of developments must be just as great a problem....

[Botos] The orders of enterprises have decreased in the areas of research and development, which results in a worsening situation for the research institutes and reduction in the intellectual capacity. The proportion of spending on research and development fell to 1.7 percent of the gross domestic product in 1991.

[Kovacs] What successes and failures has the IKM had?

[Botos] I am not qualified to speak for the whole ministry. However, in hindsight it can be established that in the international tender put out for the development of telecommunications we should have tried to argue much more intensely in the interest of the existing Hungarian production capacity. We have not always managed to make the interests of industry policy prevail in privatization, for example in the case of the Ikarus and Caola companies. In my view, the industrial crisis management program, which is in the coordination phase, is very important, because it will facilitate the use of state correction mechanisms in the case of 14 to 16 large enterprises. Rather than some kind of individual treatment or subsidies, this means the rescheduling of long-term state loans, reduction of the interest rate, or partially or fully changing the debts into a capital share. These measures can only be made in the case of enterprises that have a realistic market access now or in the future.

**Schagrin: We Managed To Create a Buyers' Market**

[Schagrin] In my view, trade has had a successful period. It is of key importance that, in contrast to the practice of the previous decades, we managed to create a buyers' market in a very short time, a situation where selling, rather than buying, is difficult. Many people think that these things happen by themselves if left alone, but some measures played a decisive role in creating a buyers' market. Such were, for example, the complete liberalization of prices, the almost complete liberalization of imports, and the new freedom of enterprise.

[Kovacs] Do the defenders of domestic industry blame you for the "negative" effects of liberalization?

[Schagrin] First of all, the liberalization of consumer products was carried out at the most moderate speed because quotas determined by the state were kept in many areas. Secondly, I do believe in the need for the protection of industry, but this cannot mean the exclusion of foreign products. If we really want to approach Europe, which supposes that we become part of the continent's economy, then it is necessary for the Hungarian producers to meet the competition they will face in the fight for international markets in very similar conditions on the domestic market.

In my view, in addition to the share of Hungarian industry in the domestic market, the most important issue is that, in the course of allowing them into Hungary, we make agreements with the Western enterprises to facilitate the sale of Hungarian products in their foreign chains of shops. There are precedents for this. Therefore, privatization agreements can also involve this.

[Kovacs] What are your views on your work in the area of legislation?

[Schagrin] The first important economic law was put forward precisely by the minister for industry and trade, which was called the preprivatization law. On the basis of this, the gross amount gained from the sale of shops exceeds 7 billion forints. More than 10,000 shops fell

under this law and some 5,000 of these have already been privatized using various methods.

It can be seen as a success that we have not had any serious problems in the area of trade in the past two years while privatization progressed at an acceptable speed. If we manage to finalize the \$100-million World Bank loan, then the quality of all trade can be significantly renewed.

**Defense Expenditures, Equipment Evaluated**

92EP0349A Warsaw GAZETA WYBORCZA in Polish  
9 Apr 92 pp 12-13

[Article by Bartosz Dobrzynski: "Everything That Is Ours: Defense Expenditures Have Plummeted by 55 Percent Since 1985"]

[Text] It may be an exaggeration that, as Minister of National Defense Jan Parys declared, our country could be conquered by a troop of boy scouts, but by now it should be possible to discuss whether a well-armed division might not suffice for that purpose.

In recent years, the size of our military was nearly halved. In the 1980's we had about 400,000 soldiers, whereas now we have 220,000-240,000, of whom 100,000 are career military. Less than one-half are field units, that is, combat personnel. The remainder are quartermaster, supply, or clerical personnel; that is, the rear echelons.

The military are urging the parliament and the president to define clearly what should the Polish army be like and what army the nation can afford. Were national security to be based on international alliances, the armed forces could be weaker and less numerous (100,000 to 200,000 soldiers). But if we prefer a strong and independent army, it should be larger (200,000-300,000) and better.

According to the Ministry of National Defense, Poland spends only one-sixth to one-fifteenth (depending on the dollar conversion rate) as much money per capita on the army as Germany or France. Czechoslovakia spends on its army about as much as we do, some \$3 billion, although it has only less than one-half as much population as Poland.

**Eh, Eh, Sharp Are Our Scythes**

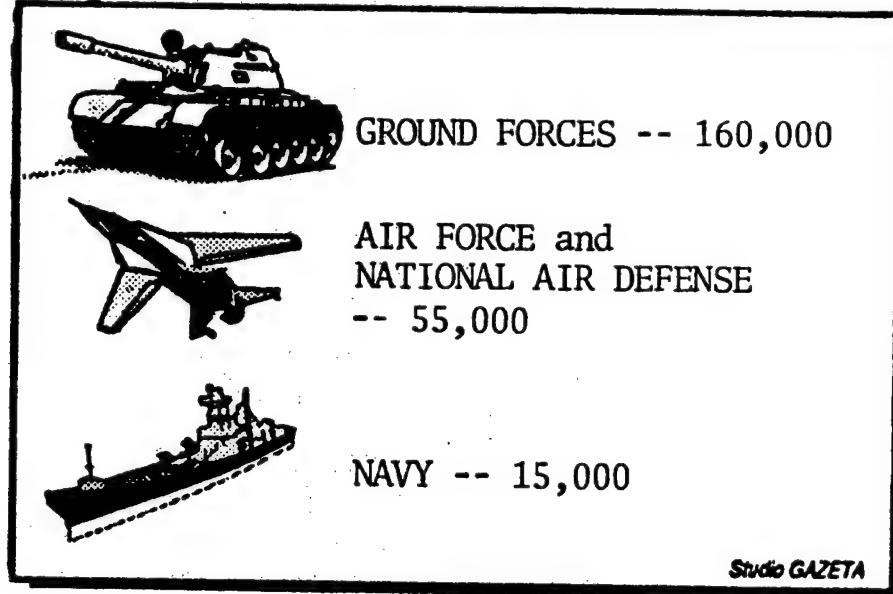
In 1986 maintaining the military cost 36 percent of all expenditures of the Ministry of National Defense, with arms purchases accounting for an additional 29 percent, whereas last year these expenditures amounted to 63 and 12 percent, respectively. The funds granted to the military for the first quarter of 1992 indicate that more than 80 percent will be spent on maintaining the personnel tables of organization. The remainder has to suffice for training, arms purchases, equipment maintenance, and investments.

Yet a single fighter plane together with the necessary accessories costs from 500 to 800 billion zlotys [Z] (depending on type). The funds allocated last year for arms purchases, repair, and spare parts would just barely suffice to purchase five fighter planes.

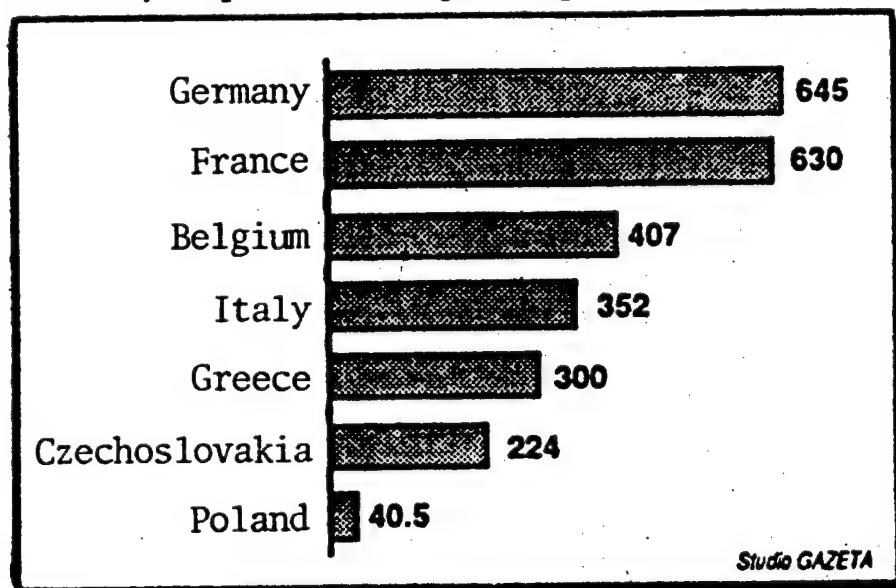
These funds served to buy 10 T-72 tanks, 18 reconnaissance vehicles, three maintenance vehicles, two radar stations, and 15 truck-borne radio stations. Moreover, the ministry of defense is still in arrears with payments for deliveries made in preceding years.

So long as the Warsaw Pact was in force, all the purchases for the Polish military used to be approved in Moscow. As a rule, the USSR provided us with arms at least one generation (7-12 years) old. That is why, e.g., Ukraine at present has many more modern tanks and aircraft than we do. The countries of the former socialist camp continue to be largely dependent on the Soviet arms industry.

Now that finally we are entitled to buy military technology from the West, we cannot afford it. The Hungarian and Bulgarian military have similar problems. So far not one of the postcommunist countries has purchased modern heavy armaments in the West.

**Polish Armed Forces stand at 230,000 soldiers**

Military Expenditures per capita in US dollars



**Brandish Arms, Conquer Thy Weakness, Steel Thy Spirit, Serve the Beloved Fatherland!**

The fund shortage has prompted the cessation of divisional-scale exercises (the last such exercises, with the participation of some 15,000 troops, were held in 1988 under the cryptonym OPAL-88). The training of draftees has been shortened to 18 from 24 months. Reservists are no longer called. At some units the soldiers spend more time on guard duty than on exercises. And when they do exercise, they receive too small allotments of projectiles (tank personnel, for example, lob 40 shells per tank in the course of a year, one-half as many as their German counterparts).

Aviation is similarly affected. In the West the average pilot has to fly about 200 hours annually, whereas our pilots average barely several dozen hours. Soon now the funds for even that may become unavailable: One hour of flight in a modern aircraft costs about Z20 million. Similar problems are encountered by the navy: Every cruise, indispensable to, e.g., submariners, entails substantial expenses.

Previously, Polish units used Soviet firing ranges whose vast tracts made it possible to fire antiaircraft missiles. For the time being no one knows what will happen to the gunnery ranges abandoned by the Soviet army. The removal of duds from these ranges will be extremely costly and time consuming (a single firing range takes some three years to be cleared without thereby assuring complete security). The Ministry of National Defense is considering the possibility of leasing post-Soviet gunnery ranges to Western armies.

**The Tempestuous Times Frighten Us Not Because Strong Are Our Arms!**

The ground forces consist of armored and mechanized troops, infantry, artillery, and engineer units.

A strong suit of the armament of our infantrymen is their small arms. The Kalashnikovs manufactured by the Radom Lucznik Works, which also makes sewing machines, are simple and reliable. These rifles are being used from the sands of the Sahara to the snows of Siberia, and they just do not fail anywhere.

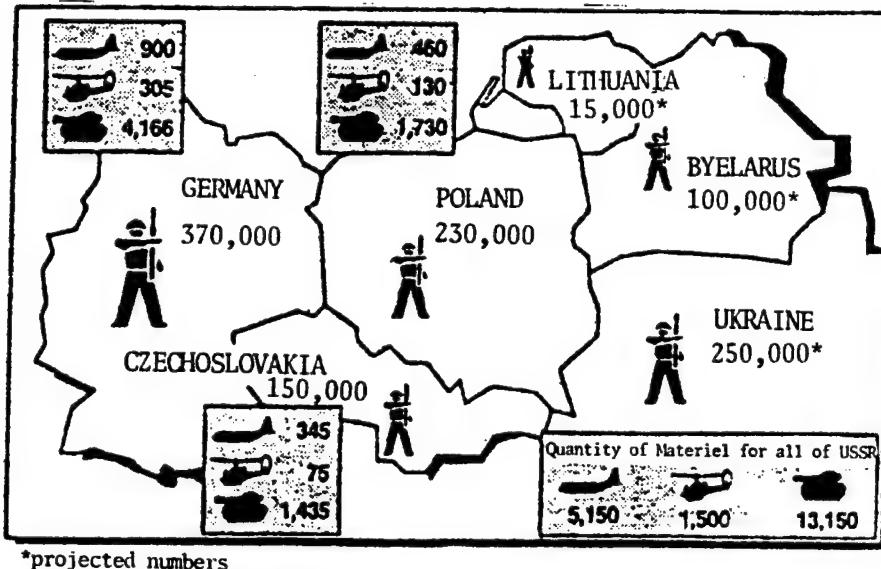
Comparison tests conducted by the Americans showed that Kalashnikov rifles are in many respects superior to the M-16 rifles with which the United States Army is armed. It is probably solely due to considerations of prestige that the Americans have not switched to Kalashnikovs for their army.

Armored, armed, rapid, and maneuverable tanks are considered the cavalry of our era. On the field of battle they are a horrific weapon.

The Polish army has about 2,850 tanks. Under the Vienna agreement on the reduction in conventional arms (CFE) we shall soon have to reduce this number to 1,730. Also under the Vienna treaty, following detailed coordination with our Warsaw Pact partners, we shall mothball an additional 400 tanks, more or less.

Two-thirds of our tanks are Soviet T-55's. They are a modification (vintage 1949) of the best-known World War II tank, the T-34. These tanks were manned with a crew of

**Armed Forces Strength and Maximum Quantity of Materiel according to CFE**



four and a dog. Our newer tanks are the T-72's, designed in the 1970's. They are manufactured in Labedy under a Soviet license.

The greatest flaw of these tanks is their "partial night blindness." Instead of the modern thermovision camera (a very expensive device manufactured only in the West), they are equipped with a "noctovisor" having an extremely limited field of view. "Compared with Western tanks, they do not fire well at night," a professional weekly, INTERNATIONAL DEFENCE REVIEW, stated circumspectly about the T-72's.

Comparison tests indicate that modern Western tanks are superior to the T-72 by a factor of two or even three. In theory, it is calculated that on the field of battle two T-72 tanks are needed to annihilate one German Leopard-2.

On the other hand, the Czechoslovak made armored transporters used by the Polish military have received a good grade.

A substantial segment of [Polish] artillery dates back to Korean War times and is soon to be retired. The most keenly felt shortages are those concerning modern aiming, recognition, and fire guidance systems.

The United States Army, which has such systems available, could destroy in a single salvo tanks from a distance of 20 miles in the Persian Gulf.

Operational tactical missiles—this being the veiled military appellation of long-range (over 100 km) missiles—are being retired from the armaments of our military. They are highly similar to the Scud type missiles with which a year ago Iraq used to bombard Saudi Arabia and Israel.

We shall retain a small number of tactical (i.e., short-range) new generation precision targeting missiles.

The engineer troops are the pride of the Polish army. It is they that were to secure the crossings of the Vistula, the Odra, and the Rhine for the two Soviet fronts [originally] scheduled to advance on Paris.

**Forward, Firmly, Boldly, Courageously, Skyward We Shall Direct Our Flight!**

A modern military without aviation is hardly conceivable. But aviation is very costly. Our flying equipment derives 90 percent from the former USSR.

The MiG-21, the aircraft of the early 1960's, the foundation of our aviation (more than 50 percent of Polish fighter planes), is, despite its modernization, no threat to modernly equipped foes. In the 1970's we bought the MiG-23, a variable wing single seater fighter. But we have too few of those planes (31 single seaters and six double seaters) to constitute a formidable air force.

Our most modern aircraft is the MiG-29 (12 planes), displayed at many expositions, repeatedly photographed, and described as a "miracle of technology" in the late 1970's. At present, however, it has turned out to be of fairly average design and with unreliable engines. Its continued purchases are doubtful since its production was halted in November 1991.

MiG-29's also are used in other European countries of the Warsaw Pact, in Yugoslavia, in Cuba, and also in Iraq. The Iraqi air force, which had been at first feared by the allies during the Persian Gulf war, turned out to be defenseless in face of American and British aircraft.

Su-22 assault planes (86 single seaters and 19 two seaters), also with variable wing geometry, are considered fairly modern. They can carry more than 4 metric tonnes of armaments. The Polish air force is also equipped with 20 specimens of an older version of that aircraft, the Su-20.

The Soviet assault helicopter Mi-24 (29 machines) is of an obsolete but still workable design; it has proved itself in Afghanistan. The Mojahedin called it "the fire-breathing chariot."

In addition to aircraft, the nation's air force and air defense includes a radar system and missile and flak batteries, all Soviet made and technologically obsolete.

On the other hand, Polish-made RAWAR radar stations are quite up-to-date.

#### I Was Ordered to Defend You or to Rest on Your Bottom

Throughout the 20th century, Poland has never been a sea power. At the outbreak of World War II, four destroyers and five submarines were under the Polish flag. Our present navy is smaller: one destroyer and three submarines.

The flagship is the Warszawa, which is called a destroyer although its equipment indicates that it is primarily designed for antisubmarine combat. This is a Soviet vessel, leased until the year 2000, built in Leningrad. Previously it had served on the Black Sea under the Soviet flag.

In addition, the Polish navy has leased from the USSR two small submarines, with the third, the Orzel, being our own.

The ancillary naval vessels are small missile boats, combination minelayers and minesweepers, and patrol boats.

Of the 22 landing ships, two have remained. In addition we have three new domestically built transport vessels.

For antisubmarine combat, the navy operates 11 Mi-14 PI helicopters. They represent a floater equipped and properly adapted version of the well known Mi-8 transport helicopter. With the object of submarine detection these helicopters drop into the sea special buoys followed by depth charges. Mi-14 PI helicopters also are used for sea rescue work.

#### Fight On, Sing of Freedom, and the Victory Is Ours!

The "Political-Social Assumptions for the Years 1992-94" presented by the government envisage slashing military expenditures (by 8 percent this year compared with 1991). This means, the document states, "a forced cutback in the personnel of the armed forces, a reduction in the purchases of military arms and equipment and hence also in the modernity level of arms and equipment, as well as shorter periods of combat training, and as a consequence, a relaxation of the army's combat readiness."

**Paramilitary Organization Strzelec Examined**  
91EP0382A Warsaw SPOTKANIA in Polish  
No 13, 26 Mar-1 Apr 92 p 8

[Article by Jerzy Morawski: "Strzelec on the March"]

[Text] The Ministry of National Defense has placed Strzelec under its special care, making it an official paramilitary organization.

The first step taken by the independent Strzelec in September 1990 was rather uncertain. "I knew that I would not join the KOR [Committee for the Defense of Workers], this was not for me," reminisced Commandant Wieslaw Gesicki. "Similarly, I was familiar with the KPN [Confederation for an Independent Poland] in underground times, but it did not come into consideration either [as an ally]. As for the party people, they were a no-no. At the time, the Ministry of National Defense refused us support, preferring to spend funds on pensioning off generals. It reversed its position once Romuald Szeremetiew became the minister. Our movement was revived."

During the last march for an orientation gathering in Kampinos, the commander performed a sudden turnabout and something cracked in his knee. Bad luck once again. He had to wear a cast on his leg and stay in bed. While in bed he read patriotic-historical and lighter literature, such as *Confessions of a Spy* or *The KGB Unmasked*. From a poster hanging on the wall the face of the Great Commandant [Pilsudski] looked on severely. Mr. Gensicki views his organization as the legal, although numerically smaller, heir of the Pilsudski Strzelec.

For the time being its ranks are growing slowly, without haste. That is good. Wieslaw Gesicki is familiar with, for example, the Warsaw University community—they are leftists. He noticed it, because for several years he used to sell books in front of the university gate. He personally was not enrolled there (he had studied for a year and half at the Theological Academy in Krakow and did his military service). But as for the Polytechnic, it is rightist-oriented and a good place where to recruit members for Strzelec, but carefully so as not to admit a plant.

"It suffices to look a boy in the eyes and ask if he is taking religious instruction," explained Commandant Gesicki. "We want young people who are educated in the national Christian spirit. Attached to our headquarters is an analysis office (headed by a colonel from the Academy of National Defense) which gathers information. Elsewhere the name for such an office is counterintelligence."

"I rejected socialism intellectually as well as owing to personal experiences. Besides, everybody knows that Wieslaw Gesicki comes from an anticommunist milieu," he said of himself.

The independent Strzelec dispatched a congratulatory telegram to [newly appointed] Prime Minister Olszewski. "We are glad that you won. After decades of enslavement this Christian nation is straightening its back. We wish you success." The commander emphasized, "During the Mazowiecki and Bielecki administrations our organization preferred to identify itself with the London Polish Government in Exile. Our statute is such that we submit to no dictate of any political party. Minister [of Internal Affairs] Macierewicz is as close to us as Szeremetiew," the commandant added, stressing his organization's apolitical nature.

At present the independent Strzelec has been recognized by the military as a paramilitary organization. Our headquarters was assigned a room in the House of the Soldier, in the old Bolshevik nest (which used to house the Political Directorate of the People's Army of Poland). "Chief Gesicki enumerated Strzelec's accomplishments. "We want a place of our own in a strong national army," he stressed. "We also want the weapons stored with military units."

The commandant estimated the membership in his organization at 1,000 nationwide. "They are zealots," he said. "They crave military adventures and submit to discipline, marching, and drills, and the related punishments. They sing [Polish Pilsudski] Legion songs. My eaglets (boys 11 to 15 years old) have learned to operate machine guns in one of the units." But the commandant did not provide a clear answer (he smiled) to the question of whether this involved firing. Instead, he contended, "The older boys, over 16, have had more target practice than troops on active duty."

Chief Gesicki personally heads the Strzelec ranks in Warsaw, where they total 140 members. "The young people can be divided into two groups, those deriving from the underground and those lacking, let us say, combat experience. The latter are only beginning to learn history. So far disciplinary problems have occurred only with the troop from Praga, which previously used to be subordinated to the KPN." On the occasion the commandant commented that the KPN's own Strzelec organization was practically fictitious, numbering barely 50 or so recruits, and served as a front for the party.

Gesicki explained, "The young people who join us show interest in national defense instead of escaping into apathy, subculture, or crime. They come from vocational schools, high schools, and higher educational institutions (in Lublin they all come from the university). They originate from worker and intelligentsia families, although recently in Warsaw 'eaglets' began to be recruited from good Warsaw families as well.

"Strzelec is independent except when it comes to military matters alone. The Ministry of National Defense appoints the chief inspector for military training, but we have the right of protest should some Bolshevik be dispatched to us," explained the commandant. "The backbone of Strzelec consists chiefly of teachers and individuals with experience in opposing [the communist regime]. A chaplain is assigned too." The commandant himself (33 years old) has had no job experience and says of himself that "it was not in my nature" to apply for unemployment benefits. He admits that he is applying for a position with the Ministry of National Defense and the Office for State Protection.

#### **Trade Attaches View Polish-German Cooperation**

##### **Polish View**

92EP0378A Warsaw RYNKI ZAGRANICZNE in Polish No 37, 26 Mar 92 p 3

[Article by Jan Szustkiewicz, trade adviser in the Office of the Trade Counsel in Cologne: "Principles and Purposes of Economic Cooperation"]

#### **[Excerpts] Conditioning Factors**

The direct proximity, geographical division, and difference in [economic] potentials [between Poland and Germany] have resulted in a lopsided economic alignment of the two countries. Poland's share in German foreign trade (1.1 percent) is nearly twice as high as in world trade (about 0.6 percent). To Poland the FRG is the prime economic partner, accounting for 29 percent of its overall economic trade. Last year, according to German statistics, the volume of Polish-German trade reached more than 15 billion marks [DM], which ranked Poland 14th on the list of Germany's trade partners. [passage omitted]

Economic cooperation with Poland is of a local nature so far as the German partner is concerned, and it is focused on aid and noneconomic factors as important elements of regional stability in East Central Europe. This context will remain applicable for the next two years, and it is in Poland's interest to maintain its standing as Germany's principal trade partner in East Central Europe and to come close to, and in the future even exceed, the 2-percent share held by Russia in FRG trade. The attainment of these strategic goals hinges on the ability to formulate cooperation proposals and on the adherence of particular government administrations to these proposals regardless of any possible political changes in the country, as such adherence is an additional factor in Poland's credibility as a trade partner. [passage omitted]

#### **Economic Assistance**

So far German economic aid to reformist Poland has been chiefly focused on macroeconomic programs. But now it is pertinent to orient it (in cooperation with the partner) on promoting direct cooperation between enterprises. Postulates for further broad financial assistance should be formulated very cautiously, in view of the present generally negative and emotional attitude of both the government and the German public opinion toward increasing any foreign aid.

This concerns chiefly streamlining the utilization of the existing mechanisms or elucidating earlier postulates (eco-conversion [spending on environmental clean-up], losses due to unification, easing the terms of the loan and investment guarantees granted). Next in priority, the domains of mutual interest to both partners should be considered (construction of border crossings, regional cooperation, reconstruction of economic ties with the new [formerly GDR] German federal states, expansion of telecommunications and environmental protection).

As regards macroeconomic assistance, specific stress in contacts with the partner should be placed on the formation of market institutions in Poland and the promotion of mid-sized private businesses and privatization. In particular, German aid in adapting the Polish economy to broadly conceived requirements of the EC should be a major factor in intergovernmental cooperation between both countries in the coming period.

Such a sequence of priorities, which is being explicitly followed by Hungary and Czechoslovakia, will positively

affect the strength of the Polish lobby in the FRG, a lobby that has been weakened by political instability in Poland and the blurring of the exceptional nature of the changes in Poland by the rapid changes in the contemporary world. Generalized appeals for financial and investment aid nowadays meet with impatience and biased responses in the FRG, especially given the growing number of countries which are maladroitly courting the FRG for such aid. [passage omitted]

#### Trade and Investments

The occasional complaints about Poland's becoming dependent on German capital should be viewed as harmful and unjustified. No such thing exists nowadays. The issue of land purchases by foreigners, especially in western Poland, has to be clarified and treated objectively, because, along with streamlining the privatization procedures—especially as regards the privatization of large plants—this issue is a fundamental prerequisite for an increased influx of capital from the FRG.

The absence of an agreement with the Club of London causes German private banks to be reluctant to sponsor investments in Poland. German investors and economic circles are awaiting a positive and optimistic presentation of the changes in Poland as an essential element of confidence in economic partnership between the two countries. Similarly, in our contacts with the German administration we should strive to introduce or apply instruments for promoting investment cooperation with such German institutions as Kreditanstalt fuer Wiederaufbau, Deutsche Ausgleichsbank, and Deutsche Entwicklungsgesellschaft, as well as with the programs of the German federal states (North Rhineland-Westphalia, Lower Saxony).

#### Subsector Priorities

1. Increasing—to at least 25—the number of Polish-German border crossings.
2. Reestablishing economic and trade ties with the former GDR.
3. Complete normalization of financial and credit cooperation.
4. Reaching an agreement on longterm cooperation in energy industry (transit of natural gas from the north, crude petroleum from the east, and electrical energy).
5. The concept of expanding rail, highway, and telecommunications links in a broad European context.
6. Trans-border and regional cooperation, inclusive of rules for general cleaning up of the Odra River basin and promotion of tourism.
7. Restructuring of agriculture and its adaptation to EC rules; utilization of the experience and assistance of the FRG.
8. Housing construction and land use management; utilization of the experience and assistance of the FRG.
9. Environmental protection, joint programs, and debt ecoconversion.

10. Cooperation in science and technology and vocational training.

11. Simplification of procedures for employment and access to the labor market in the FRG.

12. Promotion of the image of a credible, European, and stable Poland.

#### Good Neighbor Treaty

This treaty is the foundation for reciprocal initiatives and their accomplishment. Within its subsector framework, it requires elaborating internal programs of action consonant with the scope of competence of discrete ministries in the contacts between the two partners.

Proceeding from the premise that the existing cooperation framework originates from the period prior to the Good Neighbor Treaty, it would be expedient to get the German partner to elucidate the extent of readiness to introduce new economic stimuli. [Poland's] economic and trade losses stemming from [Germany's] unification should be considered in the spirit of the Good Neighbor Treaty; this concerns in particular a solution of the problem of the negative balance of trade in rubles with the former GDR, such as would not result in additional burdening of the [Polish] budget.

#### German View

92EP0378B Warsaw RYNKI ZAGRANICZNE in Polish  
No 37, 26 Mar 92 p 3

[Interview with Dr. Franz Eichinger, first adviser and director of the Department of Economy-Trade in the Embassy of the German Federal Republic in Warsaw, by Michalina Kondej; place and date not given: "Businessmen Act While Investors Wait"]

[Excerpts] [Kondej] The FRG is Poland's principal trade partner. According to our figures, it accounted last year for 30 percent of the volume of Poland's foreign trade. On the other hand, Poland accounts for barely 1 percent of the volume of the FRG's foreign trade. What else, in addition to this huge disproportion, is characteristic of our trade contacts in the last two years? [passage omitted]

[Eichinger] Trade between the old [Western] German federal states and Poland in 1991 was 74 percent greater than in 1989. This comparison is possible only for the old federal states, because trade between the former GDR and Poland has plummeted (like the trade with all the other former CEMA countries): imports to Poland fell by 60 percent and exports by as much as 66 percent. During the same period, Polish exports to the old laender grew by 25 percent and their exports to Poland, by 60 percent. In 1990, compared with 1989, Polish exports increased by 60 percent, so thus producing a trade surplus for Poland at the time. Last year, however, the situation became reversed and, according to our statistics, the balance of trade is negative for Poland; we are aware, however, that Polish statistics point to a surplus.

[Kondej] Whence this discrepancy?

[Eichinger] I believe that your methodology of gathering and processing data is different. Then also there are the broader problems with statistics. Following the conversion to a market economy, totally different techniques for numerical treatment of economic trends should be adopted. It seems to me that Polish statisticians find it difficult to, e.g., grasp the scope of the private sector, whose share in imports presumably reaches 50 percent. Hence also it is likely that Polish statistics point to a smaller volume of imports than has actually occurred. According to our statistics, in 1991 German imports from Poland amounted to DM7.25 billion and exports to Poland, DM8.47 billion. [passage omitted]

[Eichinger] German-Polish joint ventures are often established on the basis of social or family contacts and most often their founding capital is rather modest, averaging DM100,000. There exist relatively few instances of large-scale capital investment, such as Henkel's investment in Pollena (more than DM50 million), Schieder's in the furniture industry, Siemens's in telecommunications, Suedwolle's in the Lodz textile industry, or Esso Deutschland's in the construction of gasoline stations. The biggest project—if it comes to fruition—will be the joint venture between Volkswagen and Tarpan, which involves DM150 million.

[Kondej] What do you think is the reason why the influx of foreign capital into Poland is not occurring on the desired scale?

[Eichinger] I believe that this concerns a major combination of unfavorable circumstances. One is the fact that political and economic changes in Poland have started fairly recently. Foreign investors are inherently cautious. Poland has the advantage of a low cost labor force, but this fact in itself is not enough to prompt [foreign investors to take] important investment decisions. Another reason for foreign restraint is the cumbersome daily infrastructure, e.g., problems with telephone linkages and two or three day [bureaucratic] delays of freight trucks at border crossings. Investors also complain about problems in their contacts with the administration. The restrictions on the movement of capital are an obstacle. A foreign entrepreneur is not allowed to maintain a foreign exchange account in a bank in Poland. That would be no problem were it not for the inflation. Given all these problems, businessmen, being eminently realistic, are shying away from possible losses. On the other hand, it is worth noting that the convertibility of the zloty is definitely a positive factor which facilitates trade contacts.

To any entrepreneur, skilled personnel are important. In Poland it is still difficult to find an accountant familiar with Western bookkeeping systems, and with the German language to boot. This is important insofar as many and varied small businesses are interested in Poland, and knowledge of the German language is essential in contacts with these businesses, unlike in the case of big companies. We could also complain about the frequent revisions of laws and regulations, especially those concerning customs duties and taxes. And lastly, there is the barrier of unavailability of services: To foreigners, who are accustomed to

the Western standard of banking services, the difference is tangible. Still, it should be borne in mind that as recently as two years ago, there was not a single commercial bank in Poland. There were no lawyers specializing in the participation of foreigners in the Polish economy either, nor were there any consulting companies.

[Kondej] The elements you mentioned compose a whole in the sense of a less than optimal climate for foreign investors, in the growing opinion of certain Western politicians as well.

[Eichinger] I believe that Poland's image abroad is often too negative. The increased interest in Poland among the international media is understandable, being due to the change in government and the apprehensions as to the stability of Polish economic policy. This also should account for the aforementioned restraint displayed by investors. I personally do not share this pessimistic attitude, as I still keep in view the extremely positive basic tendency, the bold and consistent implementation of changes and the growth of experience in resolving difficult problems. What matters—then as now—is the existence within the Polish society of a consensus on the need to reform the economy. It should be no surprise that opinions differ; discussions are a quite natural matter. No one should expect everything to occur ideally from day to day in an economy which must be reconstructed from the ground up, properly speaking.

#### **Availability of Foreign Credit to Poland Noted**

*92EP0355B Warsaw RZECZPOSPOLITA in Polish  
25 Mar 92 p I*

[Article by Danuta Walewska: "Foreign Credits for Poland: How Much, for What, From Whom"]

[Text] According to data from 20 January 1992 (report of the National Bank of Poland), we have received foreign credits totaling \$8.1 billion. International financial institutions have loaned Poland \$2.6 billion, and the governments of 14 states have granted or guaranteed credits for a total of \$5.5 billion. The total value of the signed interbank and inter-governmental agreements is \$5.4 billion. Some agreements have already expired, and Polish investors can take over loans up to \$4.9 billion. These are 64.5 percent of all actually pledged amounts.

The Bureau of Evaluation of Credit Proposals of the Central Planning Administration (CUP), analyzing the use of credits, divided them into four levels of advancement:

- Pledges of organizations and banks, and thus the potential possibility of obtaining credits (or \$8.1 billion, including \$7.6 billion, and not including expired credits);
- Credits available as a result of the signing of framework intergovernmental and interbank agreements with deadlines, amounts, and for purposes defined in the agreements (so far, \$5.4 billion, including \$4.9 billion with no exhausted or expired lines);
- Credits used, for which the agreements were signed (\$1.7 billion, including \$300 million of exhausted and expired credits);

- Letters of credit on behalf of foreign contractors, successively collected by Polish investors as improvement of investment occurs (\$524 million, including \$305 million from exhausted or expired lines).

The World Bank, the European Bank of Reconstruction and Development, and the European Investment Bank are allocating funds to realize concrete plans in the area of the infrastructure. Obtaining credit from both a financial institution and from the government is possible after fulfillment of concrete conditions concerning both the import of technology, and banking and bureaucratic procedures.

Plans financed from insurance ceilings, such as Hermes, COFACE, and SACE, are subject to another procedure. These credits, just like credits guaranteed by governments, cannot be freely used by the Polish Government. They are designated mainly for the purchase of certain goods, mainly techniques and technologies from the credit giver country, often with instructions for a concrete division.

#### Credit Pledges

The total sum of all pledges for 20 January 1992 is \$8,131 billion. This is 7.5 percent more than for 15 November 1991. This includes 4.1 percent from changes in the rate of the U.S. dollar.

In the fourth quarter, we exhausted credit possibilities from the line prepared by the World Bank (\$300 million), and credits expired in the amount of \$213 million, that is, there remained free \$7,618 million from the funds designated for us by international financial institutions, governments, and government institutions. Pledges of international financial institutions amount to \$2,621 million, 5 percent more with 1.3 percent growth from rate changes compared to the end of the third quarter of 1991. However, governments and government institutions pledged \$5,510 million.

#### • International Financial Institutions

- The World Bank—\$2,218 million (investments and support of structural adjustments in the economy, the fight against unemployment, help for the banking sector, privatization and restructuring of the economy);
- The European Investment Bank—\$321 million (240 million European Currency Units)—joint financing of the World Bank's plans;
- The International Finance Corporation—\$33 million (50 million Deutsch Marks)—financing of the development of small and average ventures;
- The European Bank of Reconstruction and Development—\$50 million—joint financing with the World Bank of the modernization of thermal power engineering in five towns.

#### • Governments

- Germany—31.1 percent of all pledges—\$1,646 million;
- Japan—16.0 percent of all pledges—\$850 million;
- France—13.0 percent of all pledges—\$690.4 million;

as well as Italy—\$487 million, Korea—\$450 million, and the United States—\$360 (individual totals range from 9.2 to 6.8 percent of all pledges). These funds were designated for the purchase of investment properties in the countries pledging the credits.

#### Available Credits

These credits amounted to a total of \$4,913 million, including \$1,351 million from international financial institutions (\$1,098 million from the World Bank), and \$3,562 million from governments and government institutions. Analysis by the Central Planning Administration emphasized that the availability of these credits has increased significantly.

In the case of funds loaned by governments or government institutions, it is important to have a low interest rate and a long credit and waiting period. For example, the preferential Spanish credit of \$40 million accumulates 1.25-percent interest over 30 years and has a waiting period of 10 years.

However, these preferential conditions are fortified with various other conditions, which significantly limit the circle of recipients. For example, the French credits are only for the Polish-French joint ventures.

#### How We Used Them

Before 20 January 1992, the banks granted \$1,670 million to investors. The effective payments for credit recipients were \$524 million, which is 30.8 percent of available funds. In the last quarter, payments increased 2.5 times, but their absolute value was also too low. So why do we not use these funds as we should? The Central Planning Administration's analysis gives the following reasons:

- Small tendency to invest, because the financial condition of probable borrowers is worsening. But the tendency to invest with foreign funds is generally increasing in private ventures;
- Preferential credits significantly limit the circle of credit recipients;
- Changes in the banking sector occur slowly;

Banks fear that the granted credits and guarantees are a threat to their founders' capital;

The majority of foreign financial institutions consider that only the Bank of Commerce may participate in the guarantee system. The Government of Germany recognized, in addition, the BRE [Export Development Bank], BGZ [Food Industry Bank], and (to a limited degree) the Bank of Silesia;

Obtaining credits takes a very long time, for example, in the case of the preferential Italian credit—1.5 years, and the procedure was still not completed;

Inadequate information;

The slow but perceptible change in consciousness that the credit must be repaid.

### What Results From This

- It is necessary to renegotiate several credit decisions, in order that the Polish side also influence who receives the funds.
- It is essential to promote Polish banks authorized to make foreign-exchange payments.
- Because we have positive experience with the operation of the Polish-German body, which is involved with the distribution of credits guaranteed by Hermes, it is worth appointing similar bodies with other countries (the Italian one is just now emerging).
- A consortium of Polish banks must be appointed to offer investment plans for sums exceeding \$5 million.
- It is necessary to improve information and foreign exchange regulations affecting annual limits must be reassessed as quickly as possible, while
- the Council of Ministers ought to prepare more briefly and implement more rapidly the decisions regarding budget guarantees, if the plan received a positive microeconomic evaluation by banks, and positive macroeconomic evaluation by the Commission of Qualification of Credit Proposals of the Central Planning Administration.

### Monetary Policy Outlined for 1992

*92EP0355A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 25 Mar 92 p 1*

[Article by P.A.: "Stabilization of Purchasing Power, Protection of Gold"]

[Text] It is predicted that the money supply will increase actually during 1992 by 6.2 percent (in 1991, it decreased actually by 8.1 percent), however, the credit for the economy and population will increase actually by 3.6 percent, which is 80 billion zlotys [Z] (in 1991, this credit increased actually by 1.2 percent).

Monetary projections are foreseen such that:

- The net foreign holdings will increase by \$666 million.
- Gold deposits will increase in 1992 by exactly 8.6 percent, that is, nominally by Z77 billion, which includes an increase of Z68 billion in the population's deposits. At the same time, it is assumed that prices will increase from December 1991 to December 1992 by 36.8 percent. Last year, the actual increase of gold deposits was 8.5 percent, and the nominal increase was Z67.7 billion.
- Monetary deposits will increase by \$480 million (last year they decreased by \$322 million).
- The amount of cash in circulation will decrease in actual categories by 1 percent.

Such are the basic facts included in the explanations for the "Monetary Policy Outline." They were prepared at the Polish National Bank [NBP], and submitted to the Sejm.

Since we already wrote earlier about subsequent versions of the document, some of the most important information is included below only as a reminder.

The basic aims of the monetary policy are to continue the anti-inflation policy, in order to stabilize the purchasing power of gold on the domestic market, and to protect the position of the national currency in relation to foreign currencies, by year's end.

The central bank's basic rate of interest will be the rediscounted rate fixed on an annual ratio, in order to assure that a favorable rate of credit interest is maintained in time intervals of at least several months.

An increase of refinanced credit will be supported in especially legitimate cases only in regard to the financing of continued central investments and support of restructuring processes undertaken by the government.

In regard to ventures that do not negotiate to obtain a credit capability, banks will be encouraged to withdraw credits.

It is predicted that the credit increase of the banking system for the net budget (the state budget and gmina budgets) will be Z51.3 billion. The NBP will buy treasury bills on the primary market, using them to control the liquidity of banks. It is worth noting that the draft of the budget law authorizes the minister of finance to increase the indebtedness of the State Treasury in 1992 through the NBP's purchase of treasury bills worth up to Z20 billion, through the sale of valuable treasury papers, with the repurchase period being under a year, and through the sale, in commercial banks, of credits worth up to Z50 billion.

The president of the NBP and minister of finance are converting credit incurred by the budget at NBP in 1982-91 to treasury bills or obligations by 30 June 1992.

An obligatory mechanism of progressive gold devaluation is a form of maintaining the competitiveness of national production in the domestic and foreign markets. However, this does not preclude introducing a liquid, stabilized rate that more fully takes into account the state of supply and demand of foreign currency.

Methods of unifying the official and banking-house market will be considered, so that a uniform monetary market is functioning by the end of 1992. Tests will be run to introduce prompt monetary operations.

The criteria for granting licenses to new banks will be tightened. Effective from the second quarter of 1992, the required level of the banks' own capital will be lowered to Z70 billion, and, in addition, this level will be corrected during the year in order to maintain its real value.

The president of the NBP will introduce a law that makes the type and scope of the license dependent on the amount of the owned capital, and obligates banks to use their own capital for the scope of the license by the end of 1992, or suitably limit activity.

Banks originating before 1989 will be obligated to maintain a solvency coefficient of at least 8 percent, while the remaining banks will have to maintain this at a higher level. The president of the NBP dropped the laws requiring banks to create reserves for assets that include a high level of risk.

A fund for deposit insurance and new institutions for credit insurance will be created.

The privatization of state banks will be continued.

### Plans for Oderland Euroregion Discussed

92EP0365A Warsaw GLOB 24 in Polish 9 Apr 92 p 2

[Article by Wojciech Krawczyk: "The Odra as a Rio Grande, as the Oderland Euroregion"]

[Text] The concept of forming the Oderland Euroregion (as an economic zone, proposed in July 1991 to the Polish authorities by Minister President of Brandenburg Manfred Stolpe) will probably remain for some time in the preliminary assessment stage. In the very near future it may be possible to streamline customs clearance at [Polish-German] border crossings and open a dozen or so new such crossings as well as expand existing ones. But that, it seems, will be just about all for the time being. It might be said that Polish isolationism and chauvinist sulking frustrated everything, but that would be an oversimplified view of the matter. That is because our passivity toward and reservations about the Oderland idea are also rooted in Polish law, institutions, and the economic system.

This at any rate can be concluded from the position taken on the issue by the Central Planning Office, as presented to the deputies: It does not anticipate any long-term separation of western Polish border regions. This can also be concluded from the course of the meeting of the Polish-German Intergovernmental Commission for Regional and Border Cooperation. A similar conclusion ensues from Stolpe's off-the-record complaints to several KLD [Liberal-Democratic Congress] deputies that every one of the concerned Polish voivodes was saying something different about the Oderland region, and not one of them sounded knowledgeable or specific. Lastly, this also is the conclusion ensuing from familiarity with the actual territorial-institutional system of the state and the powers of the field offices of general and local governments.

This pile-up of obstacles makes doubtful the possibility of establishing within the next few years a transborder Oder region patterned not so much on the European cooperation zones as—given the scale of differences between Poland and West Europe—on the Rio Grande region owing to which Mexico is approaching the standard of living of the United States. In this country the image of the Odra River basin is for the time being associated with the negative stereotype of the Rio Grande as a zone of economic destitution, shady deals, contraband, and illegal migration, as well as a boundary line between two cultures and worlds.

The program for—as the Germans put it—stimulating the Odra river basin is intended to reduce tensions in the border zone, promote ecological domains of the economy, and bring Poland closer to the European market. The preference zone should, in the opinion of the Germans, comprise an area ranging to about 100 km east of the Nysa and Odra rivers and about 50 km west of these, with a population of about five million. In Poland this area would consist of five voivodships (Szczecin, Gorzow, Zielona

Gora, Jelenia Gora, and Legnica), while in Germany it would consist of several dozen counties in Mecklemburg, Brandenburg, and Saxony, supported by the Berlin and Dresden urban conglomerations.

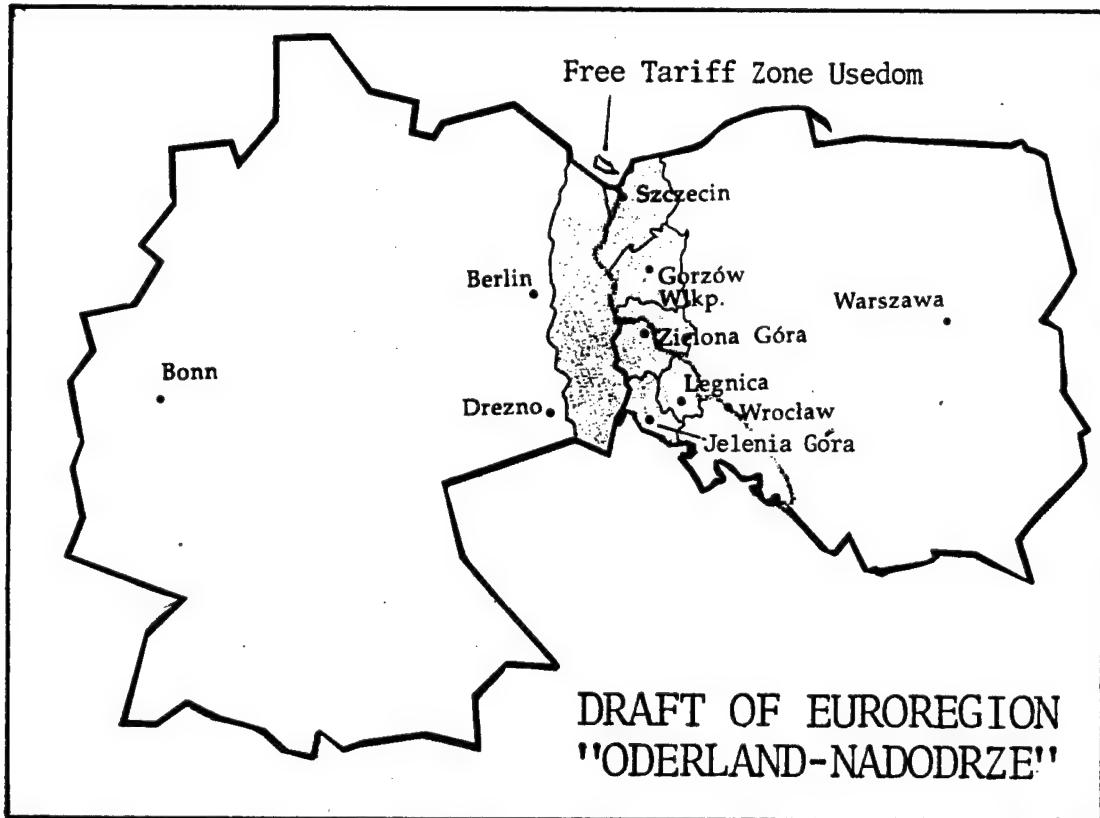
The institution promoting the growth of the Nadodrza would be the Polish-German Development Bank, with the head office in Berlin, a branch in Poznan, and offices in Bonn, Warsaw, Brussels, and the United States. It would have a capital of 500 million marks [DM], of which DM100 million are to be subscribed by the two governments (70 percent by the FRG) and DM400 million from borrowings on the private capital market. The bank would attend to economic promotion, consultation, and the allocation of credit to enterprises.

The Polish lands under cultivation in the basin of the Odra should be reduced in size, in the opinion of the Germans, although, as they note, agriculture is one of the principal sources of livelihood for the local population. The land thus recovered would be partly transferred to health food producers, partly turned into nature preserves, and partly used by tourism and recreation centers and construction investors. A similar fate is to meet obsolete manufacturing and service establishments, which should be either shut down or modernized.

As for Szczecin, it should become a duty-free port (with a Japanese-Korean industrial park), and the main technology centers would be: Zittau (manufacture of textile fibers), Kostrzyn (cellulose production), Schwedt (hydrocarbons), Gorzow and Guben (manufacture of packagings), Legnica (food-industry machinery), and Szczecin (fish processing). The establishment of a district patterned on the Silicon Valley (high-technology industries) also is being envisaged, to be sited in the vicinity of one of the present-day military airfields (the Germans point to Rothenburg). That district would be under the patronage of the Polish-German-Scandinavian Hanseatic Technology Society. The entire region would be covered by a ramified network of trade and service establishments, with a shopping mall to be established between Frankfurt-on-the-Odra and Slubice.

The seacoast and Uznam Island (whose Polish part would be a German economic zone) would become a most attractive tourist territory. Another area of major importance to tourism and recreation would be the mountainous Luzyce as well as, in view of their proximity to Berlin, eastern Brandenburg and the western part of Gorzow voivodship (aquatic sports centers).

The framers of the concept of Oderland-Nadodrza envisage an expansion of the transportation network. The proposed projects include the construction of an Odra-Danube Canal, of a north-south highway running along the Polish bank of the Odra and the Nysa and linking Scandinavia to Czechoslovakia, and of a second dam on the Odra near Malice. To cut down air pollution, the Germans propose the—extremely costly—project of reducing the number of brown coal-burning electric power plants and establishing, among others, geothermal power plants.



The greatest doubts are engendered by the question of the territorial scope of the zone. As it is proposed now, it is strikingly asymmetrical, with two-thirds of its area being situated on Polish territory and consisting, moreover, of fairly well-developed farmland as well as having a substantial industrial potential. Hence it is difficult to accept the proposal for reducing the number of manufacturing plants and the cropland under cultivation in that area so as to turn most of the Polish part of the Nadodrze into nature parks, reserves, and recreation centers, while focusing restructuring on chiefly German enterprises.

The Polish supporters of the Oderland concept—and there are quite a few of them in the political, scientific, and economic circles—also find objectionable the idea of establishing a bank in which the FRG would hold a majority in the board of governors and the supervising council. For this would entitle the Germans to decide on investments and profit distribution, and the bank itself would operate as a kind of an autonomous supranational institution in the region, which also would mean curtailing our sovereignty on the territory of the five Polish voivodships. Considering that two-thirds of the Nadodrze's area would be on Polish territory it would be advisable to establish the head office of the bank in Poland (Szczecin was mentioned), as well as to include the Scandinavians as

partners in that institution, as this would commit neutral Baltic countries to cooperation in the Odra River basin.

Also unacceptable is the idea of extending German administration to the Polish part of Uznam Island. For in practice that would mean changing the national border.

However, the Stolpe Plan was presented as a proposal for discussion, and hence all our reservations and compromise solutions are most legitimate and needed—except that they are not being officially formulated by the proper Polish authorities, which at the same time are enthusiastically declaring their desire for Poland to join the EC and “return to Europe.” But then how can that “return” be accomplished without undertaking talks on such a particular matter? After all, to us this affords an opportunity to commence broader measures for our adjustment to the European Community. True, such an integration would entail, among other things, forfeiting some of our sovereignty and subordinating Poland to the Community’s regulations as well as consenting to purchases of real estate in Poland by foreigners. But this is the price paid by all the countries of the Community.

It seems that we believe that Europe will accept us lock, stock, and barrel as we are, with our “diocesan” voivodships based on an outmoded centralized system of government, with our anachronic administrative and economic

structures, and with our malfunctioning legal system and financial institutions. Of course, we could accuse the Germans of wanting to Balkanize Poland and turn the Nadodrze region into a tourist colony (which is not true). But it is the Germans who have the money, the initiative, the ideas, the organizational resources, and the fairly thorough familiarity with the status and prospects of the obsolete extractive, shipyard, and light industries and uncompetitive farming in our five border voivodships. We should negotiate while Germany is still interested in negotiating with us on this matter.

**Planning Office 3-Year Projections Released**  
*92EP0351A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 20 Mar 92 p II*

[Article by Piotr Aleksandrowicz: "The State and the Economy According to the Central Planning Administration: Investment Instead of Consumption"]

[Text] The economy and the budget-financed sector are in need of structural changes and increased investment accompanied by a slowdown in the growth of current consumption. This appears to be the main thought of a 170-page document, "Directions of Social Economic Policy Until the Year 1994," which the CUP [Central Planning Administration] prepared for the meeting of the government on Wednesday. However, their discussion was rescheduled to next week. Therefore, it is not ruled out that substantive and editorial changes will yet be made in the material published.

The directions outline two scenarios of economic projections for the next three years. The first, cautionary scenario is based on the lack of progress in restructuring the economy, unfavorable climatic conditions for farming, no response to incentives for export promotion, and low propensity to invest. Scenario II assumes that certain actions taken as early as this year will bring positive results, and that the economy will soon embark on the path of moderate development. We provide the details of the projections in a table.

Scenario	1991	1992		1993		1994	
		I	II	I	II	I	II
GNP scenario (previous year equals 100 percent)	92	95	100	98	102	100	102.5
<b>GNP used inside the country:</b>							
Consumption	103.7	99.1	98.9	99.5	100	100	100.8
Gross investment	92.5	95	103.5	99	106	101	109
Export, billions of dollars (current prices)	14.2	13.5	15.0	13.9	16.0	14.4	17.2
Imports, billions of dollars (current prices)	14.2	13.2	14.4	13.5	14.8	14.0	15.7
Employment in the economy (millions)	15.6	14.6	14.9	14.8	15.1	15.1	15.4
Unemployment (millions)	2.2	3.5	3.2	3.3	3.0	3.0	2.7
Rate of unemployment (percent)	11.4	19.0	17.0	17.0	16.0	16.0	14.0
Product of industry (previous year equals 100 percent)	88.1	92.0	99.0	95.9	109.0	97.5	102.0
Share of the product of industry produced in the private sector	22.2	25.5	26.5	28.0	30.0	32.0	35.0

**(Output would decline in metallurgical and machine building sectors, and grow in the chemical, mineral, food, and paper sectors, especially in the optimistic scenario.)**

Gross product of agriculture (previous year equals 100 percent)	93.3	91.0	94.4	95.0	97.5	98.4	102.0
Gross product of construction	100.5	101	104	101	104	102	103
Trade, gross margin	102.0	102.0	103	103.5	104.5	103.5	105.0
Communications	114.0	115.3		115.3		115.0	

It is assumed that the growth of consumer prices in the years to come, based on comparisons of their levels in the subsequent months of December, would come to 37 percent in 1992, about 20 percent in 1993, and 10 to 12 percent in 1994. The budget deficit would amount to 5 percent of the gross domestic product this year, and 4 percent in 1993, whereas in 1994, "a balanced budget would be restored without the need to restrict expenditures." A reform of the tax system would be based on the following:

- Introducing the value added tax, effective January 1993,
- Reducing the rate of the profit tax on corporate persons to 30 percent in 1994,
- Eliminating the tax on above-the-plan growth of wages in state enterprises in the event a social contract is secured at an enterprise (the growth of wages in the budget-financed sector would be strictly controlled),
- Introducing a 5 percent (based on the wage fund) tax on the use of labor,

- Replacing the dividend by a tax on the capital committed by the State Treasury; the rate of this tax would be determined within the framework of management contracts at state enterprises and by councils of trustees in partnerships with the participation of the treasury,
- Introducing a system of precisely targeted profit tax relief to encourage investment.

The interest rate on refinancing credit would approximate the rate of inflation, whereas the commercial credit rate would be the result of market ratios of supply and demand for credit. It is proposed to increase the emission of the money supply beyond the rate of growth of the GNP and the rate of inflation; this increase would be geared toward investment credit.

The currency exchange rate would be established in keeping with arrangements to date; efforts would be made to maintain a permanent ratio of the value of the zloty to that of foreign currencies.

From among other elements of macroeconomic policy, restrictions on consumer imports, the stabilization of energy prices in real terms, and the shift of the tax burden in the direction of taxes on consumption were mentioned, among other things.

In a section on microstructural policy, it is proposed that, among other things, small and medium size enterprises be supported, competitiveness be improved, an outline of ownership transformations be prepared, a climate of stability be created, a banking infrastructure be developed, economic insurance be expanded, the management of state assets be commercialized, unnecessary functions be shed by the structures of state enterprises, management contracts be signed (for the current operation of a company or restructuring), and certain enterprises be eliminated. However, the authors note that changes on a microeconomic scale should, first of all, be initiated from the grassroots.

In the sphere of ownership transformation, it is worthwhile to note a provision on the ultimate inclusion of about 50 percent of the enterprises in the Comprehensive Privatization Program, in addition to plans already known from the "Theses for Socioeconomic Policy."

The directions call for creating conditions for the capital based privatization of banks, privatization of municipal and cooperative property, and state property in agriculture.

Many conclusions with regard to the budget financed sphere approximate those found in a report of the World Bank which we discussed several days ago. The directions emphasize the need for the citizens to finance a part of the expenditures for social services, as well as the need to streamline such services.

It is proposed to create four insurance systems (funds) which would insure against the risks of old age, disability, sickness, and unemployment, and would be generated by contributions made by employers and employees. For its part, the state would finance, for example, investment in development of the health care sector, or active forms of

counteracting unemployment, and could guarantee a certain minimal level of basic benefits. The directions also include sections concerning agricultural policy, energy policy, defense and security of the state, ecological and regional policies, and investment. Unfortunately, it is not possible to discuss them in a short report, but we will undoubtedly revisit them.

#### **Polfa: Successful Barter Deal Gone Bad**

*92EP0379A Warsaw ZYCIE GOSPODARCZE  
in Polish No 12, 22 Mar 92 pp 1, 4*

[Article by Zbigniew Grzegorzewski: "A Recipe for Trouble?"]

[Text] The Rzeszow Polfa [Polish pharmaceutical plant], which specializes in manufacturing circulatory and alimentary tract drugs, was the first of the Polfas to stop production. The enterprise lacks liquid capital and is nearing bankruptcy. Similar decisions are being considered by the Polfa plants in other cities.

The reason for the financial straits of pharmaceutical enterprises is the barter deal with the former USSR. The partner from the other side of the Bug did adhere to his obligations in the barter deal: We did receive the natural gas shipments. But otherwise the Polfa plants have not so far received even one zloty for the drugs exported, because no one seems to be willing to pay for the natural gas used.

Barter trade is the road to bankruptcy for an industry which has been a major source of receipts to the state treasury.

#### **A Healthy Taxpayer**

It can be readily ascertained that the pharmaceutical industry has been a wonderful taxpayer. Just look up all the eight annual "Lists of the 500 [Biggest Polish Enterprises]," and compare financial performance between the years 1983 and 1990 (the results for last year have not been made public yet).

During these eight years, the Polfa plants have been operating at an enviable profit margin. This happened even though the drug prices have never been of the contract price kind. As in other countries, the Polish pharmaceutical industry has been readily generating high profits. During the abovementioned eight years, three to five out of the 10 most profitable enterprises in Poland each year were Polfa plants. In 1985, the most profitable processing industry enterprise was the Jelenia Gora Polfa, which outpaced the Grodzisk Mazowiecki and Starogard Gdanski Polfas. In 1989 the four most profitable enterprises in Poland all were Polfas, with the third ranking of them being precisely the Rzeszow Polfa.

It turns out that drug manufacture can be more profitable than the production of vodka. This happened in 1991 when the Warsaw Polfa was ranked third among the most profitable Polish enterprises, with Polmos ranking seventh.

The year 1989 proved particularly favorable financially to the pharmaceutical industry. In that year, the net profits

attained by the Grodzisk Mazowiecki Polfa were more than 20 fold as high as the average profits at the 500 biggest Polish enterprises. It used to be for several years in a row that the profit margin at Polfa plants was 10 fold as high as at the 500 biggest Polish enterprises.

Even the recession year 1991 has to be viewed as financially advantageous to the Polfa plants. This is exemplified by the profit margin attained by the Pabianice Polfa. In 1986, it was the 10th ranking among the most profitable enterprises included in the "List of the 500." In 1991, it had a sales volume of 417 billion zlotys [Z] and a gross profit of Z158 billion. The state budget was enriched with Z67 billion in income tax (Polfa plants are exempt from the turnover tax), plus a Z1.2 billion tax on assets and Z32 billion in the tax on wage increases. Yet the Pabianice Polfa is medium sized compared to other pharmaceutical plants in terms of volume of sales.

The Pabianice plant fared well, although already then complaints were made that the official prices of medicines are being increased at a slower rate than the plant's operating costs—an issue that has since then become even more topical—and that the Ministry of Finance is tardy in revising the prices of domestic drugs, thus making imports more competitive. Even so, however, domestic drugs cost less than their imported counterparts, and this makes still more horrifying the prospects for the bankruptcy of the Polish pharmaceutical industry.

At the Pabianice plant the employees grumble that the government's policy is conducive to "yet another scandal, this time concerning pharmaceuticals." The plant's Naproxen, an antirheumatic and antipyretic drug, sells at Z60,000, whereas the price of Yugoslav-made Naproxen is Z107,000. The origin of this "scandal" is rooted in the state budget, and is hurting the budget. What happened is that the state budget is very tardy in paying subsidies to the Cefarms [state pharmacies] and privately owned pharmacies for the drugs sold at a discount or offered gratis. As a result, the pharmacies, especially the privately owned ones, prefer to sell imported drugs, on which they can make a profit at once, especially considering that their higher prices mean higher profit margins. As another result, output at the Polfa plants is declining. At Pabianice the estimate is that the demand for the plant's products at present is 30 percent lower than in the previous year, and hence also budgetary receipts from Polfa plants are declining.

This effect can be compounded by pursuing a misguided customs policy, and that is what happened: duties were imposed on the raw materials imported for the domestic manufacture of drugs, but imported drugs were left duty-free.

The Polfa plants are suffering the consequences of arrears in payments receivable, especially considering that the payer is the government. As for the economic condition of the hospitals [as published], there is hardly any need to expatiate on it.

The plant management are complaining that the government is slaughtering the last goose laying "the golden tax

eggs." An exceptionally modern industry, so far as Poland is concerned, because it is largely operating on the basis of Western technologies, is getting into hot water. Here mention should be made of the fact that the pharmaceutical plant in Pabianice was established more than 100 years ago, had been linked to the Swiss Ciba, whose share was bought in 1956 (!), and has ever since maintained production ties with the West, including cooperation with such renowned companies as Syntex. These companies grant the use of their trademarks to the Polfa plants. For these and other reasons, a collapse of the Polish pharmaceutical industry would be simply absurd.

Yet the absurdity is becoming quite real.

#### The Advantageous but Fatal Barter Deal

We wanted the USSR, our traditional customer for Polish drugs, to pay in dollars for pharmaceuticals. Early in 1991, the importer had even promised that. Through the mediation of Ciech [Import-Export Agency for Chemicals and Chemical Equipment] an \$80 million export deal was prepared. But it turned out that the entire deal could not be based on dollars, and soon afterward it also turned out that we cannot expect our drugs to be sold for hard currencies in the second half of 1991. The disintegrating Soviet empire had less and less foreign exchange available.

The government noticed that Polfa plants have surplus output and at the same time, Poland greatly needs shipments of natural gas. On 21 September 1991, an intergovernmental barter agreement was concluded: We were to receive natural gas in return for food or railroad cistern tanks. The barter deal was to be worth \$473 million, of which probably \$188 million in drugs (probably, because unfortunately to this day the people I spoke with cannot agree on the exact figure).

We received the natural gas and shipped the pharmaceuticals. The producers of food and railroad cistern tanks were paid in zlotys. But the Polfa plants got nothing. For this reason, their financial situation has greatly deteriorated—to the extent to which each of the 15 Polfa plants individually participated in the barter deal. The Rzeszow Polfa sold Z256 billion of pharmaceuticals, meaning that nearly 80 percent of its output was marketed in the form of barter. The second plant most likely to halt production is the Jelenia Gora Polfa, because exports to the USSR accounted for about 60 percent of its output.

The situation at the Pabianice Polfa is better. As part of the barter deal, it provided pharmaceuticals worth Z30 billion. Earlier, when the former USSR was to pay in dollars, the exports totaled Z63 billion, of which the producer received little so far. As of the end of February the Pabianice Polfa was owed Z60 billion by Ciech plus Z16 billion by the Cefarms. To be sure the plant's accounts payable, totaling Z78 billion, exceed just barely its accounts receivable, but the consequences of the tardiness of its debtors are painful. The interest that has to be paid on the loans made to the Pabianice plant to keep it in operation despite the tardiness of its debtors, has totaled Z11 billion.

These consequences also are reflected in the rapid plunge in the plant's profitability. Last January, the profit margin of the Pabianice plant was only half as high as in 1991.

The Warsaw Ciech is wondering why the Polfa plants, and along with them the press, are blaming this import-export agency for the financial situation of the pharmaceutical industry. Sure, Ciech did have financial obligations to the Polfa plants, but only with respect to the time when drugs were being sold for dollars, i.e., during the first half of 1991. At that time, the transactions were to total \$80 million, and Ciech did pay its suppliers in 80 percent of the cases. But as for the barter agreement, it does not mention Ciech, and therefore it should not be blamed. The fault lies elsewhere, for example, with the Weglokoks [Coal and Coking Coal Administration].

The Katowice Weglokoks feels about as responsible as the Warsaw Ciech. Ciech was responsible for the exports and Weglokoks for the imports. Thus there were two middlemen in the foreign trade deal, but it is not they who should pay the pharmaceutical industry, they argue. The heads of Weglokoks are in accord that this problem is to be ascribed to Polish Petroleum Mining and Natural Gas Corporation. Inquiries at the offices of that corporation reveal that it has financial problems. Last year, the prices of natural gas were so low that it was a deficit year for the corporation. What is more, gas subscribers are remiss in their payments. Current monthly arrears are estimated at Z1.5 trillion.

It will be difficult to get paid for the gas supplied, because it was used by an industry at the verge of bankruptcy. Many months will pass before the bankrupt enterprises finish treading various paths toward receivership. Most likely, the Polfa plants will have to experience not so much neglect as many months of waiting. It is possible that not all will survive this ordeal of waiting.

The producers of foodstuffs and railroad cistern cars, whose exports were included in the barter deal, fared better, because the agreement specified that they were to be paid first. Thus, from the very outset, the Polfa plants were condemned to waiting.

The attendant danger was known from the very beginning. It turned out that the PGNiG [Polish Petroleum Mining and Natural Gas Corporation] has long been trying to obtain a loan to settle its arrears in payments. Despite the efforts of the Ministry of Trade and Industry and the Ministry of Finance, no agreement was reached on granting the needed loan at a low interest rate. The PGNiG decided that, since the price of natural gas is official [controlled], and the year 1991 was a deficit year, the corporation cannot afford the loan at a commercial interest rate. Thus the Polfa plants must somehow swallow this barter pill.

It turns out that even obtaining a commercial loan would be difficult. Commercial banks consider the PGNiG to be uncreditworthy, and hence they are willing to grant it a loan only on condition that the government provide a loan guarantee.

Some consolation is supposedly to be found in the fact that the PGNiG has recently transmitted Z130 billion to the Commercial Bank. But this does not mean that that money is destined for the Polfa plants. The Commercial Bank will decide which of the PGNiG's creditors should be satisfied.

But as for the Russians, it is said that they are OK. They fulfilled their side of the barter deal. The entire deal can be viewed as a success, considering that Poland faced the threat of not receiving the needed quantities of natural gas from the former USSR.

At the Commercial Bank the response to this information is rather distant, on the grounds that the Polfa plants, Weglokoks, Ciech, and PGNiG ignore somewhat, as it were, the reality. For example, the announcement that recently the PGNiG transferred to that bank Z130 billion is being questioned. [According to the bank] a smaller amount is concerned, and to the Polfa plants this is no reason for feeling satisfied. It turns out that the barter deal, implemented according to terms defined in the letter of intent of 21 September, was to be completed by the end of 1991 and the period of disbursement of the attendant payments was to end on 31 January 1992. Therefore, the Commercial Bank cannot now make payments to the Polfa plants from Weglokoks's account. This is not some added red tape but formal requirements, which also bind the Moscow bank that is a party to the barter deal. The only thing that can still be done is to draft an appendix to the letter of intent. It is probably a matter of days before Russia and Poland sign that appendix.

Commercial Bank, Inc., seems disgusted with this entire barter adventure. People there say that no other bank was anxious to finance servicing a letter of intent which has, after all, the rank of an international agreement.

The Ministry of Foreign Economic Cooperation also seems to have problems with clearing a barter deal which on the "macro" scale is thought to be advantageous to both countries. Doubts have arisen whether, under that agreement, only the quantities specified in it were shipped. Other, unofficial comments indicate that the Polfa plants shipped their pharmaceuticals even before the letter of intent had been signed, and after 21 September they tried to have these exports included in the barter deal. This has resulted in a situation in which there is no certainty as to whether the total amount of drugs shipped was \$188 million, because the Polfa plants expect to be paid more.

#### A Pill To Be Swallowed by the Polfa Plants

The different Polfa plants pose different claims to Ciech, Weglokoks, and the PGNiG, and they do not exclude the government either in this litany of wrongs done to them. It turns out, however, that before drugs began to be shipped under the barter deal, a conference was held at which all the Polfa plants were represented. During that conference it was emphasized that the state budget accepts no responsibility for that deal, and it was made clear that the plants will be credited for their exports only after the customers [of PGNiG] pay for natural gas. The pharmaceutical industry accepted this risk.

What is the consequence? Bankruptcies, since the Polfa plants accepted this risk. The management of these plants are thinking of transforming them into companies and perhaps also forming a holding company. For the time being only the Jelenia Gora Polfa obtained approval for turning itself into a treasury held company. Thus the Polfa plants still remain state enterprises, and therefore the state will be unable to evade making the relevant decisions. Unofficially, mention is being made of payments from the state for the completed barter deal, but as to where that money will be found, that is still unknown.

Anyhow, that will not resolve the problem. Rather, that will be only the beginning, because, undaunted by their failures, the Polfa plants already are preparing once again to export to the East. At the Pabianice Polfa alone the inventory of finished products is estimated at Z28 billion, including Z18 billion in drugs for the former USSR. At a time when the domestic demand for pharmaceuticals is declining and capturing Western markets is a slow and drawn out process, the lovely dream of the expansion of trade with the areas of the former USSR is being cherished. It will not be easy for dreams to become reality, and the likelihood is that barter deals such as the one concluded last year will not be repeated. Drugs will have to be sold for dollars. Thus the industry is looking longingly at precisely the trade partners who have a few dollars.

**Employment, Financing in Budgetary Sectors**  
*92EP0342B Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 20 Mar 92 p II*

[Article by K.J.: "Employment in the Budgetary Sectors: Less in Education, More in Insurance"]

[Text] Expenditures in the budgetary sphere are not meeting the ministries' expectations, despite the fact that they are the largest among all expenditures planned for this year (232,886,000,000 zlotys).

The greatest cuts apply to sports and tourism, where expenditures will decline by about 40 percent in relation to 1991. The greatest increase in expenditures is planned for the administration of justice, up 90 percent. The 50-60 percent increase for education, administration, and police over last year's expenditures did not satisfy some ministries. An expression of this dissatisfaction was the education minister's statement that he was submitting his resignation.

And what is the employment situation projected for this year to look like in the budgetary sphere? Overall employment is to decline by about 74,000 persons. The greatest reductions are anticipated in education and formation. The cuts will affect nearly 58,000 persons. By the end of the year, there will be 3,000 fewer people working in public health and 2,500 fewer in national defense. On the other hand, employment will increase by more than 8,000 in social security and by 6,000 in public security. This year employment is also expected to increase by about 1,800 in the administration of justice and the state prosecutor's office, and by 1,400 in social welfare.

No significant changes are expected in employment levels in state administration, material services, or culture and art. All these are ceilings on the number of slots. Further employment restrictions are possible, in public health, for example, and could produce additional funds to raise wages and direct expenditures.

**Western Aid to Housing Sector Described**  
*92EP0342A Warsaw RZECZPOSPOLITA (ECONOMY AND LAW supplement) in Polish 20 Mar 92 p II*

[Article by E.Z.: "Housing Credit Despite Inflation: Maybe the World Will Help"]

[Text] Work aimed at signing a \$200 million World Bank credit agreement is coming to an end, after two years of negotiations. The money will be used between 1992 and 1995. World Bank experts and our own [Polish] specialists have been developing a home loan system adapted to high inflation.

As a condition to obtaining this loan, many changes had to be made in the system used to finance the housing sector. For example, it was necessary to introduce two stage credit: intermediate term credit for construction and long range home loans for housing purchases; and changes had to be instituted to use the credit customer's family income level as the basis in determining the maximum long-term credit rate and monthly repayments. Further necessary changes included eliminating debt remission and preferential rates for housing credit and renovating old credit agreements, to standardize conditions for financing new construction. The American side also suggested the development and implementation of a program to make housing rents realistic and to insure the right of eviction, in the event that the home loan was not repaid. The Americans also called for making mortgage protection possible, in the event their was a cooperative right to the dwelling. The latter two demands finally assumed legal force in the law that went into effect this 15 March.

In addition, the World Bank required certain technical preparations: the establishment of principles and criteria for granting credit, the drafting of model credit applications and agreements, the preparation of programs for training bank employees, local officials, and building firms, and, finally, the development of a system for transferring funds between the program participants: the World Bank, the state budget, the commercial banks, and credit customers.

Before entering into final negotiations with the World Bank, probably still in March, it is essential that the Polish government undertake to guarantee the dollar risk, that the budget transfer to the program be the equivalent of the credit obtained in zlotys, and that our government present the general directions of its housing policy. Efforts are being made to have this credit in place by June or July of this year.

Last September, the U.S. Government gave us credit guarantees amounting to \$25 million. On the American

side, Poland's partner in developing the program for using these guarantees is the Agency for International Development, or AID.

The first meeting with AID employees was held last December. At that time the ministry presented its proposals that the money obtained be designated for intermediate credit granted to parishes (gminas) and private investors to finance land development prior to housing construction and the costs of the construction itself, as well as for long-term home loans.

A group of AID experts is presently in Warsaw working with bank specialists from both the construction and finance ministries to develop a program for using the credit. The credit will be available after both parties accept this program and sign the credit agreement, probably by the middle of this year.

The Ministry of Land Use Management and Construction is trying to obtain from the U.S. government credit guarantees to be used in 1992-95 for housing construction amounting to \$1 billion. An official request in this matter has been presented to the Department of State. The department thinks this credit should be allocated, among other things, for land development prior to housing construction, to bolster the development of private construction firms and inexpensive technologies, and to build up the housing construction loan system.

The Polish American Congress supports the efforts of the Polish side, but up until the present moment, the U.S. Government has made no decision on this matter, and it is difficult to judge what the chances are for a favorable outcome.

#### Fertilizer Industry Status Analyzed

92EP0368A Warsaw RYNKI ZAGRANICZNE in Polish  
No 43, 9 Apr 92 p 5

[Article by Jerzy Turonek: "The News on Fertilizers Is Somewhat Pessimistic" under the rubric "Chemicals"]

[Excerpts] Yes, indeed, that is how the situation of the Polish artificial fertilizer industry has to be assessed—somewhat pessimistically. After the record level of 2,725,000 metric tonnes of fertilizers (in terms of the pure ingredient) was reached in 1989, their output has since been plummeting at an unprecedented rate. In 1990, it plunged to 1,855,000 metric tonnes, and last year to about 1,430,000 metric tonnes. Thus, within barely two years it shrank in half. [passage omitted]

This regression affected both principal domains of the Polish artificial fertilizer industry. In the years 1989-91, the output of nitrogenous fertilizers dropped to 1,145,000 metric tonnes from 1,643,000, that is, by 30 percent, while the output of phosphoric fertilizers fell to 251,000 metric tonnes from 945,000. In addition to the effects on agriculture, which will be discussed later, this plunge in output caused major changes in the use of raw materials: The consumption and imports of phosphorites decreased markedly, as did the demand for sulfur, whose stockpiles

have reached a record level owing to the difficulty of marketing it abroad. [passage omitted]

#### The Barrier of Domestic Demand

According to the Main Statistical Administration, in the years 1989-91 the supply of artificial fertilizers for domestic agriculture dwindled to 1,136,000 metric tonnes from 3,625,000, that is, by nearly 70 percent, of which the supply of nitrogenous fertilizers fell by nearly 56 percent to 776,000 metric tonnes and that of phosphoric fertilizers, by 76 percent or 226,000 tonnes. As for the supply of potassic fertilizers, which until recently were nearly entirely imported from Byelorussia and the former GDR, in 1991 it fell to barely 144,000 metric tonnes compared with 1,215,000 two years ago. This has resulted in a dramatic decline in the application of artificial fertilizers per hectare of farmland. After reaching the record level of 198 kg in 1989, it dropped to 163 kg in 1990 and 95 kg in 1991. It is anticipated that this year will be even worse, with only as little as 70-75 kg of fertilizers to be applied per hectare. [passage omitted]

#### Export Hopes

In view of the declining capacity of the domestic market, Polish industry has been trying to expand its sales of artificial fertilizers on foreign markets. In 1990, good results were attained in that domain, with the exports of nitrogenous fertilizers having more than quadrupled in comparison with 1989 and having reached 512,000 metric tonnes (in terms of the pure ingredient). Thus, nearly 40 percent of domestic output was sold to foreign customers. The exports of phosphoric fertilizers increased at an even faster rate, more than fivefold, but even so their level (42,000 metric tonnes) has been relatively insignificant, as in the preceding years besides.

The hopes for foreign sales proved to be short-lasting. Last year Poland's exports of artificial fertilizers dropped markedly, to 380,000 metric tonnes (or 26 percent) for nitrogenous fertilizers and 27,000 metric tonnes (or 35 percent) for phosphoric ones. To a large extent this was due to our basing trade with the USSR on world prices, which among other things resulted in a marked increase in the prices of the natural gas, the principal raw material of the nitrogenous fertilizers industry, imported from that country.

Thus production became less profitable and exports less competitive, which in the long run may seriously affect the performance of the industry. To be sure, for last year it has been difficult to assess this trend quantitatively owing to the form of payments for the imported natural gas, which was partly bartered for exports of pharmaceuticals [to the former USSR]. [passage omitted]

The growing competition on the international market, combined with a weak demand and excess production capacity, caused the prices of nitrogenous fertilizers to decline. Last February ammonia (c.i.f., [cost, insurance, and freight] ports of northwestern Europe) was quoted at \$115-120 per metric tonne compared with \$143-148 in February 1991. A similar decrease took place in the prices

of urea, the principal kind of these fertilizers in international trade. Last February urea was offered at \$115-120 per metric tonne (f.o.b. [free on board] Black Sea ports), compared with \$145-150 per tonne a year previously. On c.i.f. terms (ports of northwestern Europe), the prices of urea have been similarly declining to \$150-160 per metric tonne depending on quality, in mid-March. [passage omitted]

A different consumption trend is, however, anticipated for the European postcommunist countries [unlike the Asian countries, in which the consumption of artificial fertilizers is rising]. In the opinion of Western observers, the decline in fertilizer consumption in the postcommunist countries, starting with 1990, will continue for some time, and a gradual reversal is expected only starting with 1995. It is assumed that the record consumption level of 1989 will not be reattained until the end of this century.

In such a situation much indicates that, being concerned for utilizing the great capacity of their nitrogenous fertilizers industry, East European producers will continue to

intensify their proexport drives. This may result in an increase in the supply on the international market to a level in excess of the demand, which in its turn would cause the price to drop.

At the same time, the operation of the new market mechanisms, and especially the adoption of world prices of natural gas, will cause the producers of nitrogenous fertilizers in Central and East Europe to encounter varying conditions of operation on foreign markets. There is no doubt that Russian producers will be the best positioned, and it is they, too, who are chiefly exploiting promising opportunities for sales on foreign markets.

On the other hand, major question marks face the producers of nitrogenous fertilizers in Poland, Romania, and other countries of that region which used to owe their favorable export standing to the preferential price [in rubles] of Russian natural gas. [Now that trade is based on convertible currencies] it is hardly likely that they will outbid Russian and Arab exporters.

**Education Labor Contract Articles Published**

*92BA0672A Bucharest ADEVARUL in Romanian  
4 Mar 92 pp 4-5*

[Text] Articles 1-38 have already been negotiated and edited in their final form. The negotiations continue. Since this is the first collective labor contract negotiated in Romania in the area of education, we urge all education personnel to subscribe to it, in the conviction that once they study its contents they will realize who really serves their interests and by what means.

FSIPR [Federation of Preuniversity Education Trade Union] may be contacted under telephone numbers: 50-33-00; 50-22-95; 59-77-73, or fax 50-31-05.

On the basis of the rights guaranteed by the Romanian Constitution and the Collective Labor Contract at National Level registered at the Ministry of Labor and Social Protection under No. 53116/28 Jan. 1992, the present Collective Labor Contract for the Branch of Education was signed between:

1. The employees, represented by FSIPR through:

Catalin Croitoru, president Doru Busuiocanu, secretary general Marian Costinu, jurist.

2. The management, represented by the Ministry of Education and Science [MES] and the State Secretariat for the Handicapped [SSH], designated by the Chamber of Commerce and Industry under Decision No. 24/10 Feb. 1992, through:

Dumitru Visan, minister undersecretary of state Vasile Teodorescu, MES director Dumitru Teodorescu, MES director Mihail Voinescu, head of MES payroll department Margareta Dosan, legal adviser Dan Viorel Cristescu, SSH undersecretary of state.

### CHAPTER I: General Provisions

Article 1—The contracting sides fully acknowledge and accept the fact that they are equal and free in the negotiation of the collective labor contract for the branch and pledge to fully observe its provisions;

Article 2 (1)—The provisions of the present collective labor contract at branch level will be applicable to the employees represented by FSIPR in preuniversity institutions and schools represented by MES and SSH.

(2)—FSIPR pledges to communicate in a timely manner to the MES and SSH the list of names of the members and other employees represented by FSIPR to which the provisions of the present contract are applicable.

Article 3—The collective labor contract for the branch will be signed for a period of one year of the date of its enactment.

Article 4 (1)—The present contract features the mutual rights and obligations of the management and the employees represented by FSIPR;

(2)—The collective labor contract stipulates:

A—The minimum guaranteed rights regarding:

- a) Individual labor contracts
- b) Labor and labor protection conditions
- c) Salaries and other money rights
- d) Work schedule and leave
- e) Social protection
- f) The rights of the trade unions and of the representatives of the employees
- g) Training, retraining, skills, and professional improvement

B—The obligations of the employees represented by FSIPR.

Art 5 (1)—The present contract may be amended by the sides by means of negotiations in compliance with the law.

(2)—Changes made in the contract will have the same effects as the contract.

(3)—The sides pledge not to go on strike and not to lay off employees during the period of negotiations.

Art 6 (1)—The clauses of the present contract will be interpreted by consensus.

(2)—If a consensus is not reached, the clause will be interpreted in favor of the employees.

(3)—Disputes occurring in the process of changing, suspending, or ending the collective labor contract at branch level will be settled by the Joint FSIPR-Management Commission in keeping with the regulations envisaged in the annex, something that does not rule out legal recourse to the authorized judicial bodies.

Article 7—At least 30 days prior to the expiration of the period for which it was signed, the sides undertake to renegotiate the collective labor contract for the branch.

Article 8 (1)—The sides agree that whenever legal regulations or arrangements regarding the rights and benefits flowing from the present contract are established in favor of the employees, they will become a legal part of the contract, no additional formality being required in the matter.

Article 8 (2)—The sides undertake not to initiate or in any way support, for the duration of the present collective contract, the promotion of regulations apt to curtail the rights devolving from collective labor contracts at whatever level they were signed.

Article 9—On the basis of the provisions of the present contract, within 10 days of its coming into force, negotiations will begin for collective labor contracts at the level of regional inspectorates.

Article 10 (1)—The administration councils of the MES and SSH and of the schools acknowledge their joint responsibility to work together with the FSIPR to resolve immediate and long-term issues regarding the Romanian pre-university system; to review the social and professional status of teaching staff; to review the relationship between the school and the society and the tasks of the school in view of the social reform in Romania; to ensure the transition to the cultural model of a computerized society, etc.;

(2)—The fulfillment of these objectives will require mutual understanding and cooperation between management and trade unions and among all the members of the education system.

(3)—It is hereby acknowledged that the education system—a system of national interest—requires professionals and that the success of the teaching and educational process depends on the professional skills of the teaching personnel, the availability of optimal working conditions, appropriate salaries, and secure jobs for all those involved in education.

(4)—It is hoped that free and frank exchanges of views will exist among all the factors involved in the teaching and education process for the purpose of establishing working methods apt to contribute to enhancing the effectiveness of teaching personnel both in school and in the society.

Article 11—The collective labor contract is viewed as an imperative requirement both at this time and in the future for the following reasons:

a) It implements the social accord between the two sides—management and employees—thus ensuring a much faster settlement of the possible differences that may emerge, without having to modify the legislation in effect;

b) It is an efficient tool for establishing social rules based on the principle of the individual value of the employee, which is recognized according to the volume and quality of the work performed;

c) It sanctions both rights and obligations for a determined period of time and allows disputes to be solved by joint commissions of the signatories, thus making it possible to individualize situations and to eliminate the treatment of individual cases in a lump, or neglect due to failure to realize the signals sent by particular cases.

d) It frees administrative institutions of having to deal with certain issues, in the interest of educational substance;

e) It is an act of legal value because it represents the outcome of negotiations and because it can only be contested in court;

f) It is a document worked out on the basis of a thorough understanding of the education processes, stemming from the negotiations between the interested sides.

g) By assuming the responsibilities flowing from the present contract, each side will contribute to preempting disputes between the sides by drafting its own decision-making documents and acts.

## CHAPTER II: Representation Recognition

Article 12 (1)—The employees, trade union members and nonmembers of unaffiliated trade unions [as published] may opt—by means of a written individual application in keeping with Annex No. 2—for the FSIPR to represent their interests for the duration of the collective labor contract. On the basis of such an option the FSIPR will

represent the interests of education personnel before governmental and nongovernmental, domestic and international bodies in all the areas falling under the incidence of trade union activities, within the framework of the collective labor contract and in compliance with FSIPR decisions.

(2)—FSIPR will be recognized as the only representative of FSIPR members and employees represented as per Article 12(1). The MES and SSH will recognize the representation established by the FSIPR.

No other group, organization, or representative will be recognized or will be allowed to engage activities on behalf of the FSIPR.

The above provisions do not exclude the right of the persons represented by the FSIPR to advance suggestions or recommendations in their own name concerning various education issues.

(3)—This contract does not in any way obligate education personnel to join or not join any organization.

(4)—In order to resolve special situations, the involved sides to the contract are entitled to designate representatives;

(5)—Professional differences and problems will be resolved in accordance with the procedures envisaged in this contract;

(6)—The joint commission for the branch will be formed by an order of the MES and SSH and a FSIPR decision; the commissions for the regional inspectorates and schools will be made up by decisions issued by them as follows:

a) For schools: Three members of the management council and three representatives of the trade union organization;

b) Regional (commune, coordination school, budget center, regional area): Regional inspectors and trade union leaders.

c) For counties: Members of the management councils of the regional inspectorates and regional/county trade union representatives.

d) For the MES and SSH: Members of the management council and FSIPR representatives.

(7)—The number of members in the commissions listed under Art 12(6) points b,c,d will be jointly decided, whereby the number of management and trade union representatives must be equal;

(8)—In special situations, should the sides so decide, MMPS [Ministry of Labor and Social Protection] and DMPS [presumably Department for Labor and Social Protection] may be asked to mediate.

(9)—In order to ensure that these commissions can do good work, the sides undertake to provide the representatives with all the documents necessary to examine the dispute.

Article 13—Upon the written request of FSIPR organizations, the management councils will produce any document requested, in compliance with Law 54/91.

**Article 14**—In compliance with Article 29 of Law No. 54/91, the management councils are obligated to invite to their meetings representatives of the local FSIPR organization and to announce the agenda, day, and venue of the meeting at least three days prior.

**Article 15**—Upon the request of the management councils, the trade union will furnish copies of documents concerning joint actions.

**Article 16**—The trade union undertakes to inform the management councils of any change in the composition of the bodies elected and of the decisions adopted at any level regarding education activities.

**Article 17**—To ensure that the personnel is well informed, the management council will allow the FSIPR organizations to establish trade union information points in schools.

**Article 18**—The sides will cooperate on drafting an annual program of activities regarding common objectives and the responsibilities incumbent on each side for implementing the present contract.

**Article 19**—The sides agree that, by cumulating the five days provided by law for the elected trade union bodies, upon the specific recommendation of the federation, one trade union leader will be selected to work full time for 2,000 trade union members, his salary to be paid by the management for implementing the provisions of Article 55 of Law 54/91, and his chair (position) to be kept for him.

**Article 20**—The sides agree that the units will provide, free of cost: premises and the means required to carry on trade union activities, without thereby affecting the space earmarked for teaching, protection, recovery, medical assistance, and housing.

### CHAPTER III: Claim Procedures

**Article 21**—For the purpose of the present contract, a claim is a complaint regarding a violation, infringement, or a wrong interpretation or implementation of any of its provisions.

**Article 22 (1)**—At school level, any employee or trade union organization may file a written complaint with the principal or management council within at most three working days of the incident in question.

(2)—The complaint must bear the signature of the claimant and it must be registered and dated.

(3)—Anonymous complaints will not be considered.

**Article 23 (1)**—Within three working days of receipt of the complaint, the principal will summon the claimant and discuss the matter with him and with other persons involved.

(2)—The discussion and outcome will be noted in a report.

(3)—The claimant must be heard personally.

(4)—Should the complaint not be resolved, it must be presented to the joint commission in charge of settling disputes.

(5)—The principal or the management council must take a decision and communicate it in writing to the claimant, the regional schools inspectorate, and the school trade union leader within six working days of the date of registration.

**Article 24 (1)**—Should the solution be unsatisfactory to the claimant, within three days of the written communication he may request, through the trade union organization, that the decision be reviewed by the regional joint commission for disputes.

(2)—The appeal will be made in writing and will be accompanied by the documents on which it is based, as well as by a copy of the decision.

(3)—The regional joint commission will resolve the claim, within at most five days of being notified, by the following procedure:

- Will notify the sides involved at least two days before the interview;
- Will make every effort to satisfy the sides involved.

(4)—The decision of the commission and its grounds will be communicated in writing to the sides involved, the regional inspectorate, the regional trade union organization, and the DMPS five days after the notification.

**Article 25 (1)**—Within three days of receipt of the decision of the regional joint commission, the claimant may appeal through the county trade union organization to have his complaint considered by the county joint commission for disputes.

(2)—The trade union organization filing the complaint is obligated to request all the data which make up the case file and any additional information. The schools required to issue the documents in question are obligated to release them to the claimant within 24 hours.

(3)—Within at most five working days of the filing of the complaint, the county commission is obligated to discuss the complaint, hear the sides, and issue a decision.

(4)—The decision is final and will be communicated within three days of the complaint being resolved. Should the claimant not be satisfied with the decision of the county commission, he will send the case file forward, numbered, sealed, and bearing the written address.

**Article 26 (1)**—Within five working days of receipt of the notification of the regional or county trade union organization, the Branch Joint Commission will begin hearings and will resolve the notification within at the most five working days. The Branch Joint Commission is authorized to resolve disputes (conflicts) between the regional or county trade union organization and the management.

(2)—The decision will become final at the time it is pronounced and will be communicated to the sides within three days.

(3)—Should the claimant not agree with the decision, he may appeal to the authorized court. Upon the written request of the court notified by the claimant, the National

Arbitrage Commission will forward the case file, numbered, sealed, stamped, and bearing the written address.

Article 27 (1)—The expenses incurred in handling such complaints will be borne as follows:

- a) For the management representatives, by the management;
- b) For the trade union representatives, by the organizations;
- c) For trade union members, 50 percent by the claimant and 50 percent by the organization, if the trade union organization joins and supports the complaint; should the case also involve witnesses, the related expenses will be borne according to the same rule;
- d) Should the claimant in the case not be a trade union member, the claimant will bear the cost of the dispute both for himself and for the witnesses.

(2)—Such expenses will be deducted only on the basis of the relevant documents in keeping with the legal provisions and the statute of the trade union organization.

Article 28—Any complaint whose solution commands the involvement of an authority higher than the principal (inspectorate, ministry, etc.) will be initiated directly by the county FSIPR or SPCR [Pre-university Education Trade Union] organization, in keeping with the level of the case.

Article 29 (1)—The signatories may initiate an appeal for intervention at any point in the procedure.

(2)—The decisions and decrees issued below the level of the National Branch Joint Commission may be reviewed and reconsidered by the latter. A review or reconsideration may be initiated by both the MES and SSH, or the FSIPR within five days of the decision or decree being handed down in accordance with the procedure envisaged in Article 26.

(3)—MES, SSH, and FSIPR agreed that any person who is not a trade union member or is a member of another trade union organization may, at his request, be defended by the FSIPR in a complaint or appeal, on the basis of conditions recommended by the FSIPR and accepted by the claimant.

Article 30 (1)—Interviews will be established in a timely fashion, at a location and hour allowing both the sides involved and the witnesses to attend.

(2)—The signatories are entitled to designate a representative at each stage of the procedure to present his viewpoints; the representatives will be authorized for the case in question.

(3)—The joint commission, regardless of level, will as a rule carry on their activities outside the working schedule; should the procedure take place during the working schedule, the participants will not forfeit any part of their salary.

(4)—Any delay caused by the management at any level of the joint commissions in communicating a decision within the terms established will allow it to be forwarded to the

next stage. Extending any term at any point in the procedure must be based on a well grounded agreement between the sides.

#### CHAPTER IV: Working Conditions and Norms

Article 31(1)—In order to raise the level of Romanian education up to international standards, the sides believe it necessary to allocate a part of the GNP commensurate with the attainment of this objective.

(2)—On working out the budget for education and protection, MES and SSH will take into account the need for a national education strategy. The MES and SSH will produce the background data for supporting and improving the budget.

(3)—MES and SSH, in conjunction with all the responsible factors (the Ministry of Finance, other ministries with responsibilities in the area of education, prefectures, city halls, economic units, etc.) are obligated to ensure conditions, within the confines of the budget allocated, for appropriate education activities:

- a) Build school premises;
- b) Repair existing school facilities;
- c) Perform maintenance and hygiene services in the existing premises at least once a year;
- d) Provide teaching material suitable for the profile of each school;
- e) Provide climate control;
- f) Provide the negotiated payroll in compliance with the collective labor contract signed with FSIPR.

(4)—In order to become thoroughly familiar with the working conditions of given collectives of employees, at the initiative of the MES, SSH, and FSIPR joint analysis teams may be formed to recommend the measures required to deal with the conditions found.

(5)—A joint commission will be formed to recommend criteria for: school classification; establishing the number of care, administration, secretariat, and library personnel; defining units with special working conditions for which benefits and money or other compensations will be awarded in keeping with the legal regulations.

(6) By law, the MES and SSH are obligated to provide materially and financially for education and for the protection equipment specific of each working place and employee, in keeping with the risk factors involved in the working program.

#### Article 32—Working schedule of teaching staff:

(1)—Under the working schedule of teaching staff is meant the time necessary to carry out teaching and educational activities:

A. At school:

- A1 Teaching quotas
- A2 Preparing teaching material, audio-visual material, and working equipment and apparatus
- A3 Preparing practical work (experiments, demonstrations, laboratories, and experimental stations)
- A4 Supervision and guidance for practical work

A5 Organization and performance of guidance classes  
 A6 Student supervision during breaks, provided by teachers on duty designated by a rotation system among the scheduled staff.

**B. Outside school:**

- B1 Studying the school plans, curricula, and textbooks
- B2 Studying the literature in the field
- B3 Providing technical documentation
- B4 Making teaching material where necessary; the need for and kinds of such material will be left to the discretion of the teacher
- B5 Correct assignments and other work by the students
- B6 Grade exams
- B7 Work out the yearly schedule of assignments and class work
- B8 Work together with the student's family outside the school.

**Article 32 (2)**—The overall working schedule of the teaching personnel at school and outside of it will be eight hours a day on the average, or 40 hours a week.

**Article 33**—MES and SSH will implement the teaching norms established under the legal regulations in existence.

**Article 34**—The working schedule of auxiliary, aid, secretarial, accounting, maintenance, service, guard and other personnel will be on the average 170 hours a month (five eight-hours working days).

**Article 35 (1)**—The norms for auxiliary teaching personnel, administration, service, guard, and other personnel will be established by the MES and SSH in consultation with the FSIPR. The number of slots will be calculated on the basis of these norms by the regional school inspectorates, as a rule as a county average, and the slots will be assigned to the schools in accordance with the volume and complexity of the work and in consultation with the regional FSIPR organizations.

**(2)**—The following rules will be observed in implementing the thusly established norms:

- a) Priority will be given to filling out part-time personnel slots;
- b) Any unassigned fractions of slots may be awarded by adding to the slot holder whose actual duties exceed his working time.

**Article 36—Working conditions and labor protection**

**(1)** On establishing the working conditions for education personnel account will taken of the relevant international conventions to which Romania is a party.

**(2)** The signatories undertake to cooperate as closely as possible in setting the work standards in education, establishing schools and working norms for each school with special working conditions, for which benefits and money or other compensations will be awarded in compliance with the regulations in effect.

**(3)** In order to improve the conditions in which the teaching staff and other categories of personnel carry out

their activities, the management (MES) undertakes to take at least the following measures:

- a) Ensure environment conditions (regarding lighting, climate regulation, noise, vibration, temperature, airing, breaks between shifts, cleaning);
- b) Provide school facilities for the employees (cloakrooms, bathrooms, leisure rooms, study rooms, documentation and research rooms);
- c) Eliminate or reduce environmental pollution.

**(4)** The FSIPR may organize and carry our inspections regarding the implementation of the norms, regulations, and legal provisions concerning work protection and safety.

**Article 37—Time off**

**(1)** Time off outside the working schedule in the education system will take the following forms:

- a) Daily rest, no less than 12 hours;
- b) Weekly time off, no less than 48 consecutive hours, out of which at least twice a month one day must be a Sunday;
- c) Annual leave, in accordance with the law in effect.

**(2)**—Throughout the annual leave the employees are entitled to a leave allocation (in addition to their benefits), which may not be lower than the base pay, seniority allowance, and according to case, managerial slot allocation, cumulated and calculated on the date on which the leave begins.

**(3)** A vacation bonus proportional to the leave allocation but no higher than one monthly salary will be paid out of extrabudgetary funds obtained from payroll savings and other financial resources (donations made for the purpose by members of the local education community, town halls, economic units, etc.).

**(4)** A fund will be created for this precise purpose. Donations made for this fund may not be used for other purposes. The amounts left unused by the end of the fiscal year will be deposited in an account for the following year.

**(5)** The fund earmarked for vacation bonuses will be envisaged in the special budgets annexed to the MES and SSH budgets and to regional inspectorate budgets, and its size will be decided by the management councils of the regional inspectorates in consultation with the trade union, on the basis of a percentage quota of the overall amount of the extrabudgetary revenues achieved.

**(6)** The vacation bonus fund will be established for each school and institution of special education by the management councils of the regional inspectorates in conjunction with the regional trade union organizations.

**Article 38—The following are non-working days:**

- a) The days of weekly rest, as a rule Saturday and Sunday;
- b) Legal and religious holidays:

1) 1-2 January 2) 1 May—Labor Day 3) 1 December—Romania's National Day 4) Easter holidays (three days) 5) 25-26 December—Christmas.

c) The employees are entitled to paid leave in situations such as:

—Employee's marriage—five days—A child's marriage—three days—Family funerals (spouse, child, parents)—three days.

d) Two days of paid leave may be awarded in the case of a child's illness or accidents, on the basis of a medical certificate;

e) Employees who are studying for a degree will be entitled to:

—30 calendar days of paid leave once for taking the examination for a university or supervisory degree;

—30 calendar days of unpaid leave for taking regular high school, university, or supervisory examinations.

#### CHAPTER V: Salaries and Other Money Benefits

Article 39—Each employee is entitled to receive a salary for work performed in keeping with the terms of the collective labor contract for the branch.

(1) The salary includes the base pay, base pay increments and allocations, indexation payments, and compensations.

(2) A minimum salary will be established for each category of personnel on the basis of the salary steps adopted under the collective labor contract for the branch (Annex. No. 5), while individual labor contracts may establish individual, unlimited salaries (on the basis of the value of the work performed by each employee).

(3) In order to finance these individual negotiations, the payroll fund will be increased by 15 percent of the payroll fund required for the salary step recommended by the FSIPR.

(4) The increments awarded under the terms of the present contract are:

Seniority Steps	Percentage of the Base Pay
3-5 years	5 percent
5-10 years	10 percent
10-15 years	15 percent
15-20 years	18 percent
20-25 years	21 percent
Over 25 years	25 percent

(1) For the purpose of establishing the seniority of personnel who did not work in education, the school management together with the school trade union organization may agree to take into calculation the periods of time worked in sectors other than the budget sectors, if they believe that the experience gained during those periods will be useful to the employee in fulfilling his duties and tasks.

(2) The seniority increment will be paid as of the first of the month following the one in which the seniority envisaged for the respective step was attained.

Article 41—A 20-percent increment will be added to the base pay for activities requiring very great mental stress or carried out in special working conditions. This increment will be awarded to personnel in charge of caring for children or of special education, training and protecting the handicapped, and teachers employed in: simultaneously teaching two-four elementary classes, guiding psychological-pedagogical practice, advanced training for teachers and educators, sports clubs and high schools, and Article

Article 42 (1)—In order to attract special teaching personnel, an increment of up to 20 percent will be awarded according to altitude, difficulty of access, degree of geographical isolation, difficult meteorological conditions, humidity, etc.

(2) The areas, localities, schools, and specific amount of the increment will be established under the collective labor contract for the branch after negotiations between the signatories.

Article 43 (1)—The personnel working between 2200-0600 hours will receive a 25 percent base pay increment if the time worked during those hours represents at least half of their schedule.

Article 44—Increments for carrying out duties in addition to the basic teaching work: Teacher-home-room adviser—1,500 lei

Article 45—The above listed increments will make up a part of the base pay.

#### Article 46—Hourly wages

(1) Teaching personnel may do overtime as follows:

—A full schedule in pre-school and elementary education;

—1/2 schedule in intermediate, high school, and vocational education.

(2) In exceptional situations (when another teacher cannot be hired and there is only one specialized teacher in the locality for the respective position), another full schedule may be taken on in intermediate, high school, and vocational education, too, with the approval of the school inspector.

(3) Reserved vacancies may be filled on an hourly basis if the classes in question are not incorporated in a teacher's position or if they exceed the weekly teaching schedule, as well as activities such as: admissions, final high school exams, classes or exams for teaching in-steps, and advanced teacher training.

(4) In special cases and according to need, the management council may ask the executive (administration) and auxiliary teaching personnel, by a written order, to do overtime in excess of their schedule and on holidays.

#### Article 45—Hourly pay

(1) Teaching personnel may do overtime as follows:

—A full schedule in preschool and elementary education;

—1/2 schedule in intermediary, high school and vocational education.

(2) In exceptional situations (when another teacher cannot be hired and in the locality there is only one specialized teacher for the position in question), with the approval of the school inspectorate, a full schedule may be added on in intermediary, high school, and vocational schools, too.

(3) Reserved vacancies may be filled on an hourly basis if the classes in questions do not constitute teaching slots, classes in excess of the weekly teaching schedule, and activities such as: admissions, final high school exams, inspections, classes or examinations for teacher levels, and teacher advanced training.

(4) In special cases and in accordance to need, the management council may ask the executive (administration) and auxiliary teaching personnel to do overtime, by a written order, in excess of the normal working hours and on holidays, with their agreement.

(5) The hours worked in excess of the normal working schedule will be compensated by the same amount of leave. If the work thus done canot be compensated in accordance to Article 756, the overtime will be paid as follows:

(6) Hours worked in excess by teaching personnel will be paid as follows:

a) Teachers with more than 25 years' seniority—1/60th of the base salary;

b) Teachers with less than 25 years' seniority—1/70th of the base salary;

c) Head instructors—1/100th of the base salary;

d) Hours worked on weekly days off or on other days that are not working days in keeping with the regulations in effect will be paid by a 100 percent increment (Olympic games, admission exams, final high school exams, school sporting competitions, other admissions, additional student tutoring for county and higher level competitions).

(7) Supplementary hours worked by other categories of personnel in education, as follows:

—First two hours—50 percent over the hourly pay;

—Following hours—100 percent over the hourly pay.

(8) Overtime will be done by categories of personnel other than teachers with the agreement of the person (persons) involved and in consultation with the school FSIPR organization.

(9) Tenured physical education teachers employed by school sports clubs, who have trainer qualifications that entitle them to a higher salary than tenured teacher, will be paid according to trainer classification, without thereby losing their teacher benefits.

Article 47—In order to attract qualified persons to schools experiencing an acute shortage of specialized teachers, professionals from other areas of activity may be hired (for

example, music high schools may hire instrumental musicians; agricultural high schools—agricultural engineers; electronics, electrical engineering, and computer high schools—computer workers, etc.). The latter will be paid on an hourly basis, the unit of calculation being 1/100th of the base salary at which they are employed by their home enterprise. Such aides can be hired by the school management in consultation with the school inspectorate.

#### Article 48—Managerial allocations

The following benefits will be paid for managerial positions in education:

(Position: Salary + allocations)

1. Inspector general (the positions in question refer to county school inspectorates and of the Bucharest Municipality): the salary corresponding to the position and teaching level + 8,000 lei.
2. Deputy inspector general: the salary corresponding to the position and teaching level + 7,000 lei.
3. Specialty inspector: the salary corresponding to the position and teaching level + 5,500 lei.
4. Personnel inspector: the salary corresponding to the position and teaching level + 5,500 lei.
5. Regional inspector: the salary corresponding to the position and teaching level + 5,000 lei.
6. CCD [expansion not known] director: the salary corresponding to the position and teaching level + 6,000 lei.
7. CCD method experts: the salary corresponding to the position and teaching level + 5,000 lei.
8. Psychological-teaching counselor: the salary corresponding to the position and teaching level + 4,500 lei.
9. School principal: the salary corresponding to the position and teaching greade + 4,000 lei.
10. Deputy principal: the salary corresponding to the position and teaching level + 3,500 lei.
11. First head secretary: the salary corresponding to the position + 2,500 lei.
12. First chief accountant: the salary corresponding to the position + 2,500 lei.

#### CHAPTER VI: Social Protection

Article 49—Personnel cuts. Should the management (MES and/or county school inspectorates) be compelled to make personnel cuts following cuts in activities, the sides agree to observe the following principles:

- a) The management (MES and/or school inspectorates) will show the trade union the reasons for the cuts decision and proposals for reassigning the personnel, modifying the work schedule, organizing qualification, retraining, or profession change classes, reorganizing the school district, the number of students per class, etc.

b) The above reasons, along with the objections and proposals of the trade union, will be discussed by the joint FSIPR-management commission.

Article 50 (1)—Regarding the teaching staff of all schools, regardless of the ministry or department to which they belong in the case of dual control, only the MES and/or county school inspectorates are authorized to take decisions concerning transfers, appointments, temporary assignments, awarding teaching levels, activity cuts, layoffs, or any other situations.

(2) After a joint decision is taken, the management (MES and/or school inspectorates) are obligated to inform the personnel about the number of slots cut and their nature, as follows:

—At least six months prior, if the cut is due to a drop in the student population in the school district and if an analysis of the situation prevailing in the respective locality does not allow for other solutions;

—At least 45 days prior, if the cuts are due to other causes.

Article 51—If the cuts involve the dissolution of individual work contracts, the following procedure order will be followed:

- a) Working more than one job and hourly pay will no longer be allowed;
- b) No combining pensions and salaries;
- c) Personnel who meet retirement conditions will be retired;
- d) Personnel who do not have children in their care [will be laid off].

Article 52—Labor contracts may not be dissolved in keeping with Article 8.1 of the present branch collective labor contract in the case of the following categories of personnel:

- a) Personnel protected by law or by the respective collective labor contract;
- b) Persons who are the only bread-winners in the family or have children in their care.

Article 53—If the layoffs cannot be averted, the management is obligated to communicate, at least 30 working days prior, the fact that the labor contract is to be dissolved and the reasons for it.

Article 54—Persons who completed an advanced training course and signed a contract obligating themselves to work in schools controlled by the MES, which paid for their schooling, and who are not laid off for their fault, will not be obligated to pay damages for the period of time under five years left unserved.

Article 55—Together with the layoff notice, if it is not due to the employee's fault, the school will pay him a compensation equal to at least 100 percent of the monthly salary, not including the benefits due.

Article 56—If the employee is incapacitated in the wake of a work accident for which the unit is responsible or of a

professional disease, the unit will pay him a compensation equal to at least the difference between the base pay on the date of the incapacitation and the assistance received.

Article 57—Employees with a seniority of at least five years in the unit, whose labor contract is dissolved for being pensioners, being of retirement age, or being incapacitated, will be paid by the unit an allocation equal to at least one monthly base pay.

Article 58—Aside from the aid to which they are entitled by law, employees will also be awarded the following benefits:

- a) On the death of the employee, aid to the family consisting of a minimum of three unit monthly salaries;
- b) On the death of an unemployed spouse or child, aid consisting of at least two unit minimum salaries;
- c) On the birth of each child, the mother will receive at least one minimum unit salary.

Article 59—In addition to the legal paid leave granted for the care of babies under one year of age, employed mothers may receive another unpaid leave of absence. During the time that the employee is on the kind of leave envisaged above, she will preserve her right to the state children allowance and her labor contract may not be dissolved, nor may other persons be hired on her slot except under a limited working contract.

Article 60—Women employees who have a baby under one year of age, who do not claim the legal paid leave, may have their daily working schedule reduced by two hours, without thereby losing from their base pay or seniority.

Article 61—On the death of a mother, the benefits to which she was entitled for caring for a child under one year of age will be shifted to the father, if he has the child in his care.

Article 62 (1)—The price of vouchers awarded to employees sent to spas for the treatment of professional diseases under medical recommendation will be entirely supported by the school.

(2) Employees who receive treatment and rest vouchers for watering spas and other resorts belonging to trade unions are entitled to a price cut no smaller than 50 percent of their nominal value, whereby the difference will be paid by the management.

Article 63—Housing newly allocated to schools and housing that has become available will be allocated to the employees by a joint administration-trade union commission according to the criteria established under labor contracts.

Article 64—The children of employees in the education system will be exempted from any school fees for the entire period of their schooling (pre-school, elementary, intermediate, vocational, and high schools).

Article 65—In order to protect the local labor force, the sides agree that foreign citizens may be hired only within the framework of the conditions and limitations agreed

upon under the collective labor contract and according to the legal provisions. The opportuneness of hiring foreign citizens will be established by the MES and FSIPR in agreement.

### CHAPTER VII: Professional Training

Article 66—The sides agree that the term professional training will comprise every form of professional training, retraining, and any manner by which employees acquire a specialty or advanced training in their own area and receive a certificate or diploma to attest it.

Article 67—The sides agree that the following factors will be considered regarding professional training:

a) Identify the positions for which training is required and the means to secure it; the management (MES and/or school inspectorates) and the SIPR county organizations will jointly adjust the annual program and control its implementation;

b) The schools will bear the expenses involved in training employees in its interest;

c) Should the unit be scheduled to partially or completely change its activities, the management (MES and/or school inspectorates) will inform and consult the SIPR at least three months prior to the implementation of the measure and will offer its own employees means of training or retraining before hiring outside labor force.

Teaching staff with two specialties may practice either specialty depending on the needs of the school without any discrimination;

d) Should an employee identify a professional course he wishes to take, organized by a third party, the management (MES and/or school inspectorates) will examine the request together with the trade unions; the decision if and in what conditions to bear the cost of the course will be up to the management.

Article 68—In the case of refresher courses, the management pledges to provide 50 percent of the participants' expenses (transportation, accommodations, meals).

Article 69 (1)—Teaching levels in the educational system will be awarded as follows:

—Tenure—after two years in the educational system;  
—Level II—after four years in the educational system;  
—Level I—after six years in the educational system.

(2) Testing sessions will be organized as follows for the teaching staff hired under these conditions:

—During the winter vacation for tenure;—During the spring break for Level II;—For Level I: a) registration by 1 December 1992; b) taking the specialty examination (second part of the winter vacation); c) selecting the topics for the written paper for the candidates admitted for the specialty exams.

These examinations will be taken in accordance with the methods approved by the MES.

### CHAPTER VIII: Transfers and Temporary Assignments

Article 76—Teaching staff may be transferred upon request from one school to another, to slots advertized as vacant or due to become vacant in the wake of transfers.

(1) Vacant positions will be advertized each year in the MES-FSIPR information bulletins, the education publications of the MES, and local publications.

(2) Teaching staff with at least one year seniority in their position may request to be transferred.

(3) The transfer requests will be filed with the school for which the employee is applying within 15 days of the position advertisement.

(4) The board of administration of the school that advertised the vacant position will examine the applications and accept candidates on the basis of the candidate's (candidates') curriculum vitae and an interview, within 30 days of the date on which the application was filed.

The hiring decision will be made by the school principal, who is responsible before the superior administrative bodies (inspectorate, ministry).

(5) The commission that will examine the file will be made up of three members of the board of administration (with the obligatory participation of the school principal); representatives of the school inspectorate and the FSIPR organization in the school or region (if the candidate is a FSIPR member) will attend as observers.

(6) Teaching staff will be appointed to slots by the school inspectorate upon the request of the school board of administration.

(7) Should a transfer to a vacant position be requested and approved during the course of the school year, upon the request of the school board of administration, the inspectorate will approve the request on the day of hire itself and the teacher thus transferred will receive the status of holder of the respective teaching position.

(8) In the case of transfers resulting from cuts, account will be taken of the teaching level, the achievements obtained in the position, seniority in the educational system and the school, and family situation.

Article 71—The groups of children and classes of students existing on 15 September of the school year that constitutes a position and for which a teacher was assigned, may not be dissolved or regrouped during the school year if as a result the respective teaching position is eliminated.

Article 72—The list of teaching positions due to be subjected to cuts will be published by 1 April and teaching staff may be transferred by 25 May of the respective school year.

Article 73 (1)—The situations created by cuts will be resolved in a given order, according to the existing means. The order is the following: in the same locality, in a neighboring locality, from a rural locality to another rural locality, from an urban environment to another urban

environment, in the same county or in other counties, but in localities of the same administrative category.

(2)—Complaints concerning requests to resolve cuts will be addressed to the school inspectorates within 10 days and the latter will deal with them in keeping with the legal provisions. The commission in charge of dealing with complaints will comprise SIPR representatives from the county organizations as observers, if FSIPR members are among the complainers.

Article 74 (1)—Positions left vacant after appointments in the education system, transfers, cuts, medical leave, unpaid leave, and other situations envisaged by the law, may be filled by temporary assignments.

(2)—Holders of teaching positions may be given temporary assignments in the same locality or in other localities regardless of county only with the agreement of the employee in question, until the return of the position holder.

Article 75 (1)—The positions envisaged in Article 11.12 which were not filled by temporary assignments, and those that become vacant during the school year may be filled by substitutes who have the studies required by the position.

(2)—Substitutes may be hired by the school inspectorates for the duration of the school year or until the return of the position holder.

(3)—If the substitute fills the position for one school year and more, he will be tested according to the legal provisions (with the exception of teaching staff with tenure and other teaching levels).

Article 76—Auxiliary teaching staff will be appointed and transferred by the school principal upon the recommendation of the board of administration and in compliance with the legal conditions.

#### **CHAPTER IX: The Rights of the Trade Unions as Employees' Organizations and Representatives**

The signatory sides recognize the freedom of opinion of each of them and of the employees in general.

Article 77—The management (MES and/or school inspectorates) pledge to adopt a neutral and impartial position toward the trade union organizations and their representatives.

Article 78—The management (MES and/or school inspectorates) pledge to ensure the necessary conditions for trade union activities as follows:

a) Ensure free premises, office equipment, and access to free means of communications and transportation;

b) Put all the technical, economic, and financial documentation requested at the disposal of the trade union;

c) Allow the employees to use the material resources earmarked for social, cultural, and sports activities within an organized framework;

d) Ensure protection, in compliance with the legal provisions, for the trade union members and their representatives in the trade union leadership bodies;

e) The boards of administration at all levels are obligated to convey to the trade union organizations with which they cooperate one copy of all the decisions adopted and other information concerning the employment, teaching schedules, pay, refresher courses, and promotion of personnel in the education system, labor protection, social issues, working accidents, labor disputes, and communications from the state bodies regarding all the aspects involved in trade union activities;

f) The MES will order the persons in charge of paying out salaries to get the monthly trade union dues from the FSIPR members on the basis of the lists and amounts communicated by the FSIPR and to pay it into the account of the affiliated trade union organizations and the federation, according to case.

Article 79—Any decision to dissolve the individual labor contract of employees who are in the leadership of the trade union organization during their term and one year after the expiration of their term will be voided by the law.

Article 80—The management (MES and/or school inspectorates) will order the persons in charge of paying out salaries to get 1 percent of the salary of the employees who opted in writing to have their interests represented under the FSIPR collective contract, on the basis of the tables communicated by the federation and accompanied by a copy of the written individual option. The amounts received will be paid into the FSIPR account No. 402401766416 with the Bankcoop-SMB.

#### **CHAPTER X: Individual Labor Contracts**

Article 81—In order to establish the rights and obligations of the employees, individual labor contracts will be negotiated upon hiring an employee, which will observe at the least the branch collective labor contract signed between the MES and FSIPR. The individual labor contracts will be adjusted every year to the provisions of the branch collective labor contract.

Article 82—Employees who are not trade union members or are members of trade unions not affiliated to FSIPR may request the latter to represent them under the present contract and any contracts flowing from it for signing an individual labor contract in keeping with the conditions established by the FSIPR. If the employee accepts the conditions, the FSIPR will report the name of the employee (employees) it agrees to represent and the local organization that will represent them to the management (MES and/or school inspectorates).

Article 83—The collective [as published] labor contract will be signed for an indefinite period of time by the employer, with the assistance of the trade union, in order to ensure the rights envisaged in the branch collective labor contract.

**Article 84**—In some cases, the individual labor contract may be signed for a definite period of time (for substitutes) in keeping with the conditions negotiated in the branch collective labor contract.

**Article 85**—The final employment of categories of personnel other than teachers will occur only after a trial period that may not be longer than three months. During the trial period the individual labor contract may cease without notice.

**Article 86**—The individual labor contract may be modified regarding the kind of work, place of work, and salary rights only with the agreement of the sides. The employee's refusal to accept a change in the contract clauses regarding the place and kind of work and salary rights does not entitle the administrator to unilaterally break the contract for that reason.

#### Annex 1

##### Joining Declaration

I, ...., residing in .... no., ... street ... county, I.D. No., .... series No., ... issued by .... on ..., employed by ... in ... as ... agree to avail myself of the clauses of the national collective labor contract signed by the FIDES Conference and the collective labor contract signed for the education branch by the FSIPR for the purpose of negotiating my individual labor contract, in compliance with the provisions of Article 1.1.

I agree that 1 percent of my monthly salary be deducted in dues in accordance with the conditions envisaged in Article 12 point 17 of the national branch contract, and that it be deposited in the FSIPR account.

Date .... Signature ...

#### Annex 2

##### Individual Labor Contract

The individual labor contract No. ... was signed on the basis of the collective labor contract concluded between the FSIPR and the MES and SSH and registered under No. ....

Between

The unit (institution) .... address ... represented by ... as .... and Mr. (Mrs.) ... address ... I.D. series ... No. ... issued by ... on .... aged ... with a seniority of ... and the professional training of .... The present labor contract is signed in the following conditions:

1. The labor contract is signed for an indefinite (definite) period of time beginning on ... and ending on ...
2. Mr. (Mrs.) ... will fill the position of ....
3. The place of work will be in ...
4. Employment conditions: ... (full time, part-time)

5. The working conditions will be defined as: .... (difficult, dangerous, harmful, embarrassing, normal)

6. The monthly gross salary will be: ...

The salary will be paid in biweekly payments established as follows:

- a) first byweekly payment on ...
- b) second biweekly payment on ...
- 7) Overtime will be paid in keeping with the collective labor contract.

8. Mr. (Mrs.) ... will be entitled to the following increments ... and the following money benefits:

9. The sides agree that certain employee money benefits be paid directly through the financial-accounting services of the unit as follows:

10. The duration of the annual leave will be of ... Mr. (Mrs.) will also be entitled to an additional leave of ...

The annual leave will be taken in keeping with the schedule agreed upon by the sides.

11. The general obligations of the sides:

The employer mainly obligates himself to:

- Provide the employee with appropriate working conditions and, in keeping with the specific conditions of his work, with everything required for the fulfillment of his work duties;
- Provide the employee with all the rights to which he is entitled in the conditions envisaged by the law;
- Observe and fulfill the provisions of the collective labor contract;
- Other obligations (related to the specific unit conditions).

The employee is obligated to:

- Fulfill the duties and tasks established by the position description annexed to the individual labor contract;
- Observe the provisions of the collective labor contract and the internal order regulations;
- (Other obligations specific to the position in question).

The present contract is signed in two copies, one of which will be kept by the unit and the other by the employee.

Employer..... Employee.....

#### Annex 3

The present contract was modified on .... (date) by changing ... on the basis of ...

Employer Employee

After fulfillment of the legal procedure on ... (date), the validity of the present contract expires by ... for the following reasons ... based on ... in accordance with article ...

Employer..... Employee.....

Annex 4

**Salaries for Teaching Positions: Preschool, Elementary, Intermediate, Vocational, and High Schools**

Position	Education	0-2 Years	2-5 Years	5-8 Years	8-11 Years	11-14 Years	14-17 Years	17-20 Years	20-23 Years	23-26 Years	26-29 Years	Over 29 Years
1. Professor Level I	S1			24,000	24,500	25,000	25,500	26,000	26,500	27,000	27,500	28,000
Level II		22,800	23,100	23,400	23,700	24,000	24,300	24,600	24,900	25,200	25,500	
Tenured			21,800	22,100	22,400	22,700	23,000	23,300	23,600	23,900	24,200	24,500
Beginning		21,000	-	-	-	-	-	-	-	-	-	-
2. Professor Level I	S2	-	-	22,100	22,600	23,100	23,600	24,100	24,600	25,100	26,100	
Level II		-	21,100	21,400	21,700	22,000	22,300	22,600	22,900	23,200	23,500	23,800
Tenured		-	20,200	20,500	20,800	21,100	21,400	21,700	22,000	22,300	22,600	22,900
Beginner		19,300	-	-	-	-	-	-	-	-	-	-
3. Teacher in City School I Level I	S1			23,000	23,500	24,000	24,500	25,000	25,500	26,000	26,500	27,000
Level II			22,200	22,500	22,800	23,100	23,400	23,700	24,000	24,300	24,600	24,900
Tenured		-	21,400	21,700	22,000	22,300	22,600	22,900	23,200	23,500	23,800	24,100
Beginner		20,200	-	-	-	-	-	-	-	-	-	-
4. Teacher in City School II Level I	S2	-	-	21,200	21,700	22,200	22,700	23,200	23,700	24,200	24,700	25,200
Level II		-	20,000	20,300	20,600	20,900	21,200	21,500	21,800	22,100	22,400	24,700
Tenured		-	19,000	19,300	19,600	19,900	20,200	20,500	20,800	21,100	21,400	21,700
Beginner		18,300	-	-	-	-	-	-	-	-	-	-
5. Elementary School Teacher Level I	M	-	-	21,000	21,500	22,000	22,500	23,000	23,500	24,000	24,500	25,000
Master Level II		19,500	20,100	20,400	20,700	21,000	21,300	21,600	21,900	22,200	22,500	
Tenured Instructor		-	18,800	19,100	19,400	19,700	20,000	20,300	20,600	20,900	21,200	21,500
Kindergarten Teacher, Beginner		18,000	-	-	-	-	-	-	-	-	-	-
Elementary School Teacher, Kindergarten Teacher, Master	High school graduate, no specialty training)	17,000	17,300	17,500	17,700	17,850	18,000	18,200	18,300	18,400	18,500	

Note: S1—4-6 years of university or polytechnical studies in day classes, or 5-6 years of evening classes or correspondence studies. S2—2-3 years of higher education in day classes, or 3-4 years of evening classes or correspondence studies.

## Annex 5

**Salaries for Auxiliary Teaching Positions**

Position	Education	Level				
		I	II	III	IV	V
1) Librarian	Higher	19,000	19,500	20,000	20,500	21,000
2) Librarian	Average	16,000	16,500	17,000	17,500	18,000
3) Lab Teacher I	Average	17,000	17,300	17,600	17,900	18,200
4) Lab teacher II	Average	16,500	16,800	17,100	17,400	17,700
5) Beginner lab teacher	Average	16,000	—	—	—	—
6) School educator	General	17,000	17,300	17,600	17,900	18,200
7) School educator	General	16,000	—	—	—	—

**Salaries for Executive Positions**

1) Jurist	Higher	—	—	—	—	—
Economist	—	—	—	—	—	—
Publishing House Administrator		23,000	23,300	23,600	23,900	24,200
Level I						
Level II		21,950	22,250	22,550	22,850	23,150
Level III		21,000	21,300	21,600	21,900	22,200
Beginner		20,500	—	—	—	—
2) Commodities Technician, Accountant Level I	Average	19,500	19,800	21,100	20,400	20,700
Level II		19,000	19,300	19,600	19,900	20,200
Level III		18,500	18,800	19,100	19,400	19,700
Beginner			18,000	—	—	—
3) Administrator Level I	Average	18,000	18,300	18,600	18,900	19,200
Level II	—	17,500	17,800	18,100	18,400	18,700
Level III	—	17,000	17,300	17,600	17,900	18,200
4) Secretary—Typist Level I	—	18,000	18,300	18,600	18,900	19,200
Level II		17,500	17,800	18,100	18,400	18,700
Beginner	—	17,000	—	—	—	—
5) Secretary Level I	Average	17,000	17,300	17,600	17,900	18,200
Level II		16,500	16,800	17,100	17,400	17,700
Beginner	—	16,000	—	—	—	—
6) Typist	Average	—	—	—	—	—
Steno-Typist Level I	—	16,000	16,300	16,900	17,200	
Level II	—	15,500	15,800	16,100	16,400	16,700
Beginner	—	15,000	—	—	—	—
Cashier-Supplies Store	Average, general	—	—	—	—	—
Archivist Level I		15,500	15,800	16,100	16,400	16,700
Level II	—	15,000	15,300	15,600	15,900	16,200

Salaries for Auxiliary Teaching Positions (Continued)

Position	Education	Level				
		I	II	III	IV	V
Level III	—	14,500	14,800	15,100	15,400	15,700
Beginner	—	14,000	—	—	—	—
7) Gatekeeper, Watchman, Janitor		14,000	14,300	14,600	14,900	15,200
8) Worker Level I		16,000	16,300	16,900	17,200	
Level II		15,600	16,900	16,200	16,500	16,800
Level III		15,200	15,500	15,800	16,100	16,400
Level IV		14,800	15,100	15,400	15,700	16,000
Level V		14,400	14,700	15,000	15,300	15,800
Level VI		14,000	14,300	14,600	14,900	15,200
9) Unskilled worker		13,500	13,700	13,900	14,100	14,300

Note: Workers will be classified by professional steps in keeping with the complexity of the job and work responsibilities; in the case of drivers, account will be taken of the type of vehicle driven, in line with the tariff index of qualification of the Ministry of Labor and Social Protection.

**Serbian Church Accused of Condoning Crimes**

AU1305124592 Split SLOBODNA DALMACIJA  
in Serbo-Croatian 6 May 92 p 9

[Report by I. Mlivoncic: "Blessing of Violence"]

[Text] The Serbian Orthodox Church proves in daily practice its intense involvement in the Serbian conquering politics in Croatia. Bishops Lukijan and Nikolaj blessed the conquest of Dalj and Erdut, and in Lovas, between Sarengad and Tovarnik, the Serbian Orthodox Patriarch Pavle did the same a few days ago. Up to World War II, there had not been one Orthodox or Serb in Lovas. It was only with the politics of colonization of the new Yugoslav authorities that the Serbianization [srbizacija] and Orthodoxization [pravoslavizacija] of Lovas began. A one-way train brought Serbs from Kordun to the estates of the evicted German families.

In the present dirty war against Croatia, the Serbian occupier, with the help of the Serbian Army, conquered Lovas, and "cleaned" it of Croats. There is not a single Croat there now; they have been either killed or banished. Serbs have moved into Croat homes, and now they enjoy the fruits of the work of Croat hands. The Serbian Orthodox Church thinks this is normal and does not condemn such violence as unacceptable from the Christian viewpoint of morality. The morals of the Serbo-Chetniks and their church have fallen very low indeed.

To ensure that Lovas is even Serbian and Orthodox in appearance, the Catholic Church has been razed to the ground. The main street has been given the name of St. Savo. Three Croatian houses have been demolished in the center, and in their place foundations have been laid for the Orthodox Church of St. Savo. The other day these foundations were blessed by Patriarch Pavle, a man with a kind face but a cruel heart. With this act he blessed the Chetnik crimes in Lovas. It is a disgrace that this should be done by a Christian dignitary in today's Europe.

While the Serbian Orthodox Church is violating everything Catholic and Croatian in Croatia itself, the Zagreb and Ljubljana archbishop Jovan Pavlovic says to the Belgrade POLITIKA EKSPRES that his church "now has no chance in Zagreb and Croatia." He adds that, ever since the times of Maria Theresa, the Orthodox religion has been unwelcome in Croatia, and that is still the case. In 1753, the Orthodox monastery Marca near Zagreb was destroyed, and that marked the beginning of the purge of Orthodoxy from Croatia, or so believes Metropolitan Jovan.

The Viennese Catholic agency, KATHPRESS, carries the story, adding that Metropolitan Jovan said that "one cannot defend the interests of one's people with violence," and that the Serbian Orthodox Church condemns "all crimes alike, regardless of who commits them or to which religion he belongs." "We distance ourselves from the crimes committed by Serbs, even more so because they are members of our church. Such acts were never blessed by the church, never congratulated, and never instigated by the church," said Metropolitan Archbishop Jovan Pavlovic in conclusion.

It is nice to hear such words, but it would be better to see how effective they are. They do not seem to have a great effect on Serbian Orthodox bishops. The Dalj bishop Lukijan even asked the Chetnik Duke Vojislav Seselj to rid Dalj and Vukovar of Croats and Catholics. The Dalmatian Bishop Nikolaj gave his blessing to the school in Erdut and dedicated it to the cut-throat Soskocanin. Even Patriarch Pavle blesses the foundations of an Orthodox Church set on the grounds of a Chetnik crime.

The Croatian Church condemned in very strong terms the explosion of the bomb on 11 March 1992 in the Zagreb seat of the Orthodox archbishop and metropolitan. Such crimes and worse against Catholic holy buildings in Croatia have never been condemned by the Serbian Orthodox church. After that explosion the Holy Synod of the Serbian Orthodox church decided to move the seat of the Zagreb—Ljubljana diocese from Zagreb to Ljubljana.

**Hungarians Score Serbian Education Law Draft**  
*92BA0806A Budapest MAGYAR HIRLAP*  
*in Hungarian 6 Apr 92 p 8*

[Letter by Laszlo Garai Szabadka including interview with Dr. Zoltan Varga, parliamentary representative of the Democratic Community of Magyars in Vojvodina; place and date not given: "Vojvodina: Eighty Percent May Be Excluded From Instruction in Their Mother Tongue"]

[Text] The Education Committee of the Serbian House of Representatives last week discussed a draft bill on education and, after lengthy deliberation—whether to abolish the right of minority education or to leave everything as is—it took the position that the high school curriculum and program should be taught in the Serbian language, but in exceptional cases the government could authorize teaching in a foreign language as well. Thus, Serbia's nationalities, the Albanian population of two million and the Magyars of Vojvodina [Vajdasag], could have their own high schools only if the government has a benevolent attitude toward them—or if the parliament of the republic does not pass the bill. However, in view of the parliamentary voting machinery, there is little chance for the latter.

Dr. Zoltan Varga, parliamentary representative of the Democratic Community of Magyars in Vojvodina, who took part in the committee's work, said the following of the draft bill:

"Sections 4 and 5 of the draft bill are the most debated ones, for they state that the language used in high schools must be Serbian, although part of the curriculum may be taught in a foreign language. And, in those areas of the Serbian Republic where the language of a national minority is in official use, the curriculum may also be taught in the language of that minority, i.e., in two languages. This means that Hungarian high school students in Vojvodina would study only part of the curriculum in the Hungarian language. There already was such an experiment in the late 1950's, but it was discontinued after five years because they realized that, although the students became more familiar with the Serbian language, their level of general knowledge was far below that of those studying in their native language."

[Garai] As an expert on education in the Serbian and Hungarian languages, having written three textbooks that currently are in use for Southern Slavic students to study Hungarian, what modifications did you submit?

[Varga] I proposed that bilingualism be abolished because Section 5 also states that teaching in the native language may only take place in high schools and in secondary schools of the arts. In practice, 80 percent of Hungarian youth would be excluded from instruction in their native language. I am referring here to students in special secondary schools and trade schools.

[Garai] In my knowledge, an absurd situation developed, namely, that the government also submitted modifications to its own proposal.

[Varga] Since the two sections mentioned elicited a lot of criticism, the government also looked into the matter and

submitted a total of 23 (!) modifications to its own draft bill. It proposed significant changes: It presents instruction in the native language not as a mere option, but states that it should now be implemented; and it does not limit it to high schools and secondary schools of the arts, but simply mentions secondary schools. Had the Education Committee appreciated the government's position, instruction in the native language would remain the same as before.

To my surprise, however, it was precisely the Democratic Party lead by Dragoljub Micunovic, and Vuk Draskovic's Serbian Revival Movement, the most significant opposition parties—it is worth mentioning about the Serbian parliament that almost 200 of its 250 representatives are members of the Serbian Socialist Party, which is the government party—which tried to argue that unified Serbia has no place for high school instruction in the languages of nationalities. As a result, the committee decided at its last meeting that the aforementioned Section 5 must be voided, i.e., high school instruction in the languages of minorities must not be regulated at all, which unequivocally means its abrogation. Their only "concession" was to leave the authorization of instruction—in whole or in part—in a foreign language up to the government. Thus, high school instruction in Hungarian was placed on the level of instruction in English, German, or French, which is sporadically maintained in some high schools.

The Hungarian language has become a foreign language in the native land of the Magyars of Vojvodina. When I raised the question to Serbian Socialist Party representatives whether I myself, parliamentary representative Zoltan Varga, am also a foreigner in this country, they replied that of course not, but the language I speak is foreign indeed! There was nothing else for me to do but to leave the committee, for I felt that, despite the efforts I have taken for half a century in the interest of this multilingual community's coexistence, I am being considered a foreigner in my own native land.

[Garai] In your assessment, what are the chances that parliament will not pass the draft bill?

[Varga] The House of Representatives will have the last word. But everything depends on the individual factions' position prior to the plenary session.

If the government wants to have its own proposal implemented, it can instruct its parliamentary faction, enjoying a two-thirds majority, accordingly. In view of the public sentiment and the attitude of parliamentary representatives toward the nationalities, I can say that if the government fails to take any measures, then the committee's proposal will be unequivocally approved and a law that is unique in present Europe will be passed. And that I consider cultural genocide.

**Conflicts Among Serbian Nationalist Parties**  
*92BA0835A Belgrade REPUBLIKA in Serbo-Croatian*  
*1-30 Apr 92 p 22*

[Article by Dragos Ivanovic: "Conflict on the Right"]

[Text] Milosevic's liking for Seselj ("he is financially independent of foreign countries and consistent in expressing his political opinion") is more than courtesy. Whether it is also an indication of a new restructuring in the political arena of Serbia will soon be seen. In any case, this slightly shocking reply by the president to the question "which opposition leader do you respect most" cannot be taken out of the context of our general situation. Its hidden meaning should also be sought.

With this kind of traditional opposition, Milosevic can be calm without much fear for the near future. The meeting of 9 March showed a decline in the prestige of the major opposition parties (above all, the Serbian Renewal Movement and the Democratic Party), various surveys also confirmed this, but it also showed mutual disagreements which have recently broken out among members of the opposition. In addition, the opposition parties which are oriented toward authentic middle-class alternatives are still far from having any significant public influence. Hence, from this aspect, Milosevic, regardless of the fact that the standing of the Socialist Party of Serbia is no longer as great as it was, is not only not threatened personally, but in fact would have no reason "to change anything in his policy."

A possibly stronger blow to his position threatens to come from other areas. A recent television broadcast of Banat Bishop Atanasija Jevtic and its far-reaching response among the public is new proof that the only force capable of threatening the stability of Milosevic at present can originate in the very lap of the rightist nationalist movement which the president himself, after all, nurtured. The bishop's categorical demand that the president leave as soon as possible, and, above all, the bitter words of judgment, unusual for a spiritual father, far exceeds that which is heard from the opposition themselves.

Accustomed to attacks from various sides, Milosevic, of course, would not have to be overly worried only because of this. But in the television broadcast there was much more than simple discordant verbalism.

According to testimony of the producers of this [television] program, there have never been fewer telephone calls in the history of this popular program. They said viewers "were breathlessly" listening to the talkative bishop, not wanting to lose even one word by being detained on the telephone. Some, "saddened by the fate of Serbianism," discovered healing comfort in his speech, others, weighed down by confusing national conditions, found new hope for their nation. This was that rare and happy moment for a speaker when the barriers between him and the audience, or at least a good part of the audience, are erased, and full identification between the two arises.

One could freely say that no public speech has so forcefully stirred up national emotions since the anti-bureaucratic revolution. Judging from viewers' reactions, Milosevic now represents the old age and decrepitude of this national movement. The bishop is its renewing youth. In the name of this, the bishop not only disputed [Milosevic's right to] the presidential chair but, above all, the right to further

carry the banner of national renaissance. Into whose hand should this banner now pass and who can return power and freshness to the tired national movement?

The bishop did not explicitly say, but even so, Milosevic has adequate reason to fear serious danger which can darken his horizon and spoil political ambitions. Is it because of this that Milosevic (in order to prevent the predicted blow) is now flirting with Seselj, sending him messages about a public alliance which up to now, according to many witnesses, existed only secretly?! And something else, of course, is much more important: How will the Serbian public respond to these challenges of restructuring on the nationalist right? Does it want again to give itself to the hopeless illusion that the broken "Serbian case" can, nevertheless, be repaired, although at the price of further extremist behavior and perhaps prolongation of the war (is the latest situation in Bosnia accidental)? Or will it come to its senses from the obvious senselessness of victims lost up to now, and the knowledge that we are the only ones in the entire European area still hopelessly lagging behind on the road to democratic renewal (victory of the Democratic Party in Albania)? This is the fateful choice before which the Serbian public now finds itself.

#### **King, Composition of Crown Council Scored**

*92BA0835A Belgrade BALKAN EKSPRES  
in Serbo-Croatian 1 Apr 92 p 22*

[Article by Vuk Okletac: "Did the King Deceive the Serbian Renewal Movement?"]

[Text] Recently in London, Prince Aleksandar Karadjordjevic named a Crown Council (as of now, he has named 13 of the planned 30 members) and Crown Chamber (as of now, he has named six of the 10 members planned), as an important step toward establishing a monarchy in Serbia. The composition of the Crown Council has provoked great dissatisfaction by the opposition parties of Serbia, and primarily by the Serbian Renewal Movement [SPO]! Namely, it is strange that in the Crown Council and in the Crown Chamber there is not one member from the strongest Serbian opposition monarchist party (the SPO), which was most responsible for the fact that Prince Aleksandar came to Serbia for the first time in October 1991! One gets the impression that the SPO has been deceived by Prince Aleksandar. At the same time, at the expense of the SPO, some people from Belgrade who are not members of the Serbian monarchist opposition, or even of any opposition, received a place on the Crown Council: academician Matija Beckovic, Dr. Branko Petic, and Dr. Pavle Nikolic, professor of constitutional law!

Recently, BALKAN EKSPRES wrote about Matija Beckovic, about who he is and how and why he became an academician although he has [only] a secondary-school education. M. Beckovic presents himself as a monarchist but distances himself, like the devil from the Cross, from the SPO and other monarchist parties and even from the opposition in general! Architect Branko Petic says of himself that he is a convinced monarchist. He acts as if the St. Sava Church on Vracar and the entire Vracar plateau were his private property! And how much a believer and

member of the Orthodox Church and specialist for the Cross he is, as he says of himself, is best proved by the cross on the St. Sava Church. He defends the decision regarding this cross in phraseology, and in this way shows that he has no sense for Christianity, for form and logic! This cross (probably the communists and godless are behind the idea) only needs a triangle to be the Serbian coat-of-arms! There is no such cross in the country of Serbia!

It was strange and suspicious to everyone that architect B. Pesic just before 9 March 1992 officially asked Patriarch Pavle that the St. Sava Church be protected from demonstrators and that the Liturgy and memorial service for victims of the war and of last year's 9 March demonstrations be held in the small St. Sava Church and not in the large church. Did architect B. Pesic in this way want to suggest to the Serbian public, especially to the Serbian church and Serbian believers, that participants in the 9 March 1992 opposition meeting will be an irresponsible, godless mob that will demolish and desecrate the St. Sava Church? Many people have connected such behavior by B.

Pesic shortly before 9 March 1992 with his membership on the Crown Council of Prince Aleksandar!

In regard to Dr. Pavle Nikolic, professor of constitutional law in Belgrade, suspicion was based on the fact that he was one of the advocates of the 1974 Constitution, which ruined Serbia, in contrast to Professor Mihailo Djuric, who was a victim of his own just struggle against this constitution! The opposition parties of Serbia were also greatly amazed that Prince Aleksandar did not accept the suggestion of the opposition that Branko Mihailovic, son of Draze Mihailovic, be named to the Crown Council or the Crown Chamber. It appears that Prince Aleksandar, in desiring to flatter all parties in Serbia, even the communists, and all Serbs and national minorities in Serbia, decided to be a non-partisan and all-partisan prince, or king, although this was to the detriment of the SPO, the most monarchist and strongest opposition party in Serbia, which is responsible for the present successful promotion of Prince Aleksandar in Serbia! But, because of such conduct, it could happen that Prince Aleksandar might lose the support of the SPO, and it will end according to the folk saying: "He who plants pumpkins with the devil...."

NTIS  
ATTN PROCESS 103

2

5285 PORT ROYAL RD  
SPRINGFIELD VA

22161

This is a U.S. Government publication. Its contents in no way represent the policies, views, or attitudes of the U.S. Government. Users of this publication may cite FBIS or JPRS provided they do so in a manner clearly identifying them as the secondary source.

Foreign Broadcast Information Service (FBIS) and Joint Publications Research Service (JPRS) publications contain political, military, economic, environmental, and sociological news, commentary, and other information, as well as scientific and technical data and reports. All information has been obtained from foreign radio and television broadcasts, news agency transmissions, newspapers, books, and periodicals. Items generally are processed from the first or best available sources. It should not be inferred that they have been disseminated only in the medium, in the language, or to the area indicated. Items from foreign language sources are translated; those from English-language sources are transcribed. Except for excluding certain diacritics, FBIS renders personal names and place-names in accordance with the romanization systems approved for U.S. Government publications by the U.S. Board of Geographic Names.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by FBIS/JPRS. Processing indicators such as [Text] or [Excerpts] in the first line of each item indicate how the information was processed from the original. Unfamiliar names rendered phonetically are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear from the original source but have been supplied as appropriate to the context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by the source. Passages in boldface or italics are as published.

#### SUBSCRIPTION/PROCUREMENT INFORMATION

The FBIS DAILY REPORT contains current news and information and is published Monday through Friday in eight volumes: China, East Europe, Central Eurasia, East Asia, Near East & South Asia, Sub-Saharan Africa, Latin America, and West Europe. Supplements to the DAILY REPORTS may also be available periodically and will be distributed to regular DAILY REPORT subscribers. JPRS publications, which include approximately 50 regional, worldwide, and topical reports, generally contain less time-sensitive information and are published periodically.

Current DAILY REPORTS and JPRS publications are listed in *Government Reports Announcements* issued semimonthly by the National Technical Information Service (NTIS), 5285 Port Royal Road, Springfield, Virginia 22161 and the *Monthly Catalog of U.S. Government Publications* issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The public may subscribe to either hardcover or microfiche versions of the DAILY REPORTS and JPRS publications through NTIS at the above address or by calling (703) 487-4630. Subscription rates will be

provided by NTIS upon request. Subscriptions are available outside the United States from NTIS or appointed foreign dealers. New subscribers should expect a 30-day delay in receipt of the first issue.

U.S. Government offices may obtain subscriptions to the DAILY REPORTS or JPRS publications (hardcover or microfiche) at no charge through their sponsoring organizations. For additional information or assistance, call FBIS, (202) 338-6735, or write to P.O. Box 2604, Washington, D.C. 20013. Department of Defense consumers are required to submit requests through appropriate command validation channels to DIA, RTS-2C, Washington, D.C. 20301. (Telephone: (202) 373-3771, Autovon: 243-3771.)

Back issues or single copies of the DAILY REPORTS and JPRS publications are not available. Both the DAILY REPORTS and the JPRS publications are on file for public reference at the Library of Congress and at many Federal Depository Libraries. Reference copies may also be seen at many public and university libraries throughout the United States.